Bonneville Power Administration
Provider of Choice Policy
Record of Decision
March 2024

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1. Introduction

The Bonneville Power Administration (Bonneville) Provider of Choice Policy (Policy) dated March 2024 addresses the agency's regional power marketing policy for fiscal year (FY) 2028 through FY 2044. The Policy represents the culmination of multiple years of regional engagement designed to shape Bonneville's long-term power sales contracts following the expiration of Regional Dialogue contracts in September 2028. It reflects the outcome of an extensive, multi-year public process that involved customers and interested parties that worked with Bonneville to help craft and design policy proposals.

In this record of decision (ROD), Bonneville addresses issues raised during the public comment period held between July 20, 2023, and October 13, 2023. A list of commenters, affiliations and comment numbers is provided in Appendix B. The ROD is organized based on corresponding sections in the Policy.

Section 5(b) of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) requires that "[w]henever requested, the Administrator shall offer to sell to each requesting public body and cooperative . . . and to each requesting investor-owned utility [IOU] electric power to meet the firm power load of such public body, cooperative or investor-owned utility in the Region to the extent that such firm power load exceeds . . ." the utilities' resources. 16 U.S.C. § 839c(b)(1) (2022). Over a hundred customers have a right to request a contract under section 5(b).

The first set of contracts developed to implement section 5(b) under the Northwest Power Act were negotiated and offered 9 months after the passage of the Northwest Power Act on December 5, 1980. These contracts expired in 2001. Like other federal power marketing administrations, Bonneville develops power marketing policies prior to the commencement of negotiating and offering new long-term power sales contracts to guide key power marketing and product details. For example, in 1999 Bonneville issued its Power Subscription Strategy, to describe how Bonneville intended to meet its section 5(b) obligations in a deregulated energy market environment for FY 2001 through FY 2011. *See generally Power Subscription Strategy,* 64 Fed. Reg. 149 (Jan. 4, 1999). The Power Subscription Strategy was followed up by the Long-Term Regional Dialogue Policy*,* which set the parameters for developing the Regional Dialogue contracts and tiered rate construct. *See Notice of Final Policy; Bonneville Power Administration Long-Term Regional Dialogue* Policy, 72 Fed. Reg. 45,238 (Aug. 13, 2007). These contracts govern power deliveries from Bonneville under section 5(b) from FY 2012 through FY 2028. This Policy, the Provider of Choice Policy, builds from the Long-Term Regional Dialogue Policy and establishes Bonneville's power marketing paradigm that will guide development of the section 5(b) contracts for power deliveries for FY 2028 through FY 2044.

Public Process

In 2016, Bonneville initiated discussions with its regional firm power customers regarding the future of Bonneville's products, services and rates upon which to lay the foundation for the successor agreements to Regional Dialogue contracts.

Focus 2028. Bonneville's Focus 2028 effort involved conversations around the region regarding Bonneville's future competitiveness. Among the multiple issues confronting the agency, it was clear that to be competitive Bonneville would need to address its costs and ultimately future rate levels. Through this conversation Bonneville developed and issued its 2018 – 2023 Strategic Plan, wherein Bonneville committed to hold periodic regional conversations to understand the challenges customers face. The first conversations about future Policy and contracts were held in this forum.

Provider of Choice Early Engagement. Following Focus 2028, Bonneville held a series of power customer meetings beginning in late 2019 through summer 2020. Bonneville absorbed customer input on their post-2028 needs for products, services, contracts and rate structure. Bonneville released its findings from these discussions in the Provider of Choice 2020 Engagement Summary[1] published in October 2020. In March 2021, Bonneville released the Provider of Choice Initial Staff Leanings[2] that built off the early engagement and served as a starting point for further customer discussions.[3] These discussions explored policy issues to promote understanding of foundational issues ahead of Bonneville's planned concept paper.

Concept Papers. In October 2021, Bonneville received a request to pause the release of its concept paper from three of its power customer organizations: the Public Power Council[4] (PPC), Northwest Requirements Utilities[5] (NRU), and Washington Public Agencies Group[6] (WPAG). The purpose of the pause was to give public power customers time to collaborate and produce a public power concept paper. In March 2022, Bonneville received the Public Power Post-2028

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[1] The Provider of Choice Customer Engagement Summary is available at https://www.bpa.gov/-/media/Aep/power/provider-of-choice/final-2020-prov-of-choice-customer-engagement-summary-10-07-2020.pdf.
[2] The Provider of Choice Initial Staff Leanings is available at https://www.bpa.gov/-/media/Aep/power/provider-of-choice/post-2028-initial-leanings-03-9-21.pdf.
[3] Meeting materials from the 2021 forum are available at https://www.bpa.gov/energy-and-services/power/provider-of-choice/resources.
[4] PPC is a trade association of Northwest public power, representing the full diversity of utilities with preference rights to purchase wholesale power and transmission services from Bonneville.
[5] NRU represents 58 Load Following customers, which together account for roughly one-third of Bonneville's PF loads.
[6] WPAG utilities include Benton Rural Electric Association, Eugene Water and Electric Board, Umatilla Electric Cooperative, the Cities of Port Angeles, Ellensburg and Milton, Washington, the Towns of Eatonville and Steilacoom, Washington, Elmhurst Mutual Power and Light Company, Lakeview Light & Power, Ohop Mutual Light Company, Parkland Light and Water Company, Public Utility Districts No. 1 of Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Kittitas, Lewis, Mason, and Skamania, Washington, Public Utility District No. 3 of Mason County, Washington, and Public Utility District No. 2 of Pacific County, Washington.

Concept Paper,[7] a submittal by several entities, as well as another paper[8] submitted by Pacific Northwest Generating Cooperative (PNGC), representing the interests of its electric cooperative utility members. These concept papers identified customer perspectives on key issues such as whether to tier rates. The papers also identified areas where customers wanted to start policy conversations. These public power concept papers helped inform Bonneville's policy development of concepts raised in Bonneville's own concept paper as well as alternatives considered during policy development workshops.

Provider of Choice Concept Paper. Bonneville published its Provider of Choice Concept Paper[9] on July 14, 2022. The concept paper served as a starting point for policy development workshops by outlining Bonneville's initial conceptualization of what would ultimately be encompassed in the Policy. The concept paper focused on service to publicly owned utilities and provided some discussion of section 5(b) service for IOUs.

Policy Workshops. Between April 2022 and April 2023, Bonneville held 25 public workshops attended by hundreds of interested parties to provide grounding in the policy issues, invite deliberation and proposals, and discuss the intent and design of policy elements. Bonneville encouraged active workshop participation and invited informal comments that were considered in the development of this policy. Bonneville publicly noticed workshops on Bonneville's event page and through Bonneville's Tech Forum email distribution list which reaches customers and other interested stakeholders. Initial workshops were virtual-only due to the ongoing COVID-19 pandemic. Starting in December 2022, many workshops were offered as hybrid meetings with the opportunity to attend in-person or remain "virtual."

Bonneville's policy workshops concluded in a series of public meetings conducted throughout the region in April 2023. These meetings were led by senior executives from Bonneville Power Services and were held in Burley, Idaho, Spokane, Wash., Missoula, Mont., Tacoma, Wash., Eugene, Ore., and Portland, Ore. The meetings offered attendees an overview of the draft policy direction based on feedback from earlier policy workshops. The meetings were largely listening sessions and gave Bonneville the opportunity to engage at a local level and hear voices from around the Pacific Northwest region.

Bonneville also actively participated in a technical Peak Net Requirements Task Force from August 2022 through February 2023. Customers requested that Bonneville form the task force to learn about and discuss Bonneville's approach to how it determines the peak net load requirements of its power customers. The goal of this task force was to coalesce on a peak net requirements calculation. Bonneville proposed a peak net requirements calculation in

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[7] The Public Power Post-2028 Concept Paper is available at https://www.ppcpdx.org/wp-content/uploads/FINAL-Post-2028-Concept-Paper-3-30-22.pdf.

[8] The Post-2028 BPA Contract and Framework Concept Paper is available at https://www.pngcpower.com/wp-content/uploads/PNGC-Post-2028-Framework-Concept-Paper-03-31-22.pdf.

[9] The Provider of Choice Concept Paper is available at https://www.bpa.gov/-/media/Aep/power/provider-of-choice/bpa-provider-of-choice-concept-paper-final-july-2022.pdf.

workshops in spring 2023 and indicated that implementation would be discussed as part of the Provider of Choice policy implementation and contract development phase.

Release of the draft Provider of Choice Policy

Bonneville released its draft Policy on July 20, 2023.[10] Bonneville published a notice in the Federal Register on July 24, 2023, and opened a public comment period from July 20, 2023, to October 13, 2023.

On July 26, 2023, Bonneville held a public meeting to provide an overview of the draft Policy and answer clarifying questions. On August 1, 2023, Bonneville held an additional public meeting to give the region an opportunity to ask clarifying questions. Bonneville also answered questions during the comment period when requested.

Bonneville received and considered over 16,800 written comments from customers, interested parties, and the general public. A list of commenters, affiliations and comment numbers is provided in Appendix B. All comments received during the public comment period are posted to Bonneville's public comment webpage.

Planned Products Workshops

Bonneville did not provide detailed product design in the draft Policy. After multiple requests for further discussion, Bonneville hosted three workshops in late 2023 that focused on planned products. These workshops were limited in scope with objectives that included: (1) discussing the intent and features of a proposed Block with Shaping Capacity option product, (2) working towards a shared understanding of the impact of a day-ahead market on power products, and (3) promoting an understanding of the detailed processes and timelines that follow the final Policy and ROD release, including the 2029 Public Rate Design Methodology (PRDM) process and other related processes. Bonneville specified that these workshops were pre-decisional in nature and were not part of the formal public comment process. In the workshops Bonneville assumed that its draft Policy positions would be maintained and recognized product design discussed may change based on the final Policy.

Next Steps

The Policy sets the foundation for the next critical phase in the Provider of Choice process – the policy implementation and contract development phase. Bonneville will hold workshops to discuss policy implementation details that will result in updated power contract language applicable to the type of product a customer elects to purchase. Bonneville will develop and offer new contracts, including an opportunity for interested parties to provide public comment on draft contracts prior to finalization and offering. If warranted, Bonneville may release a

[10] The draft Policy is available at https://www.bpa.gov/-/media/Aep/power/provider-of-choice/draft-provider-of-choice-policy.pdf.

contract ROD to address changes to contracts that may result because of public comment. Bonneville's goal is for all contracts to be executed by the end of calendar year 2025.

The PRDM will replace Bonneville's expiring Tiered Rate Methodology (TRM). Bonneville started its public process to develop the PRDM in January 2024. Bonneville will produce a draft of the PRDM during this process before formally adopting the methodology in a Northwest Power Act section 7(i) process, concurrent with the BP-26 Rate Case proceeding.

In addition to the processes documented in this ROD, Bonneville recognizes there are other business decisions or processes that may impact future power sales. Bonneville will coordinate across these efforts to ensure a smooth transition for the Provider of Choice contract period. As Bonneville develops implementation details, it will identify business process modifications and undertake steps to develop and modify business systems during a multi-year implementation period. Electric power supplied under the new contracts will commence on October 1, 2028.

2. Principles, Goals and Emerging Landscape

Section 1 of the draft Policy described the Provider of Choice process and introduced the Policy. The draft Policy included principles and goals that were intended to guide the development of the Policy and the contracts. The section concluded by describing anticipated changes to the energy landscape during the Provider of Choice contract period.

Issue 1: Should Bonneville change its proposed principles or adopt new principles?

Policy Proposal

Bonneville proposed in Section 1.1.1 of the draft Policy the following four principles:

1. **Tier 1 firm power rates are set at the lowest possible rates consistent with sound business principles.** Bonneville sells federal power at cost to its customers and strives to provide competitive rates. This includes considering its business needs and preserving the near and long-term value of the Federal Columbia River Power System (FCRPS) for the region.

2. **Provider of Choice Policy and contracts are consistent with Bonneville's statutes.** Bonneville offers contracts to provide power to customers to meet their firm power load net of their non-federal resources. This principle includes ensuring there are adequate resources to meet Bonneville's contractual load obligations.

3. **Contracts provide long-term supply of electric power through standardized products and services and transparent processes.** Bonneville develops its Policy and offers and implements standardized contracts transparently.

4. **Provider of Choice Policy and contracts provide financial stability for Bonneville and support Bonneville's regional obligations and commitments.** Bonneville's

> Policy and contracts support its financial obligations and objectives, such as its ability to meet all debt obligations. Offerings provide value to customers and the region while minimizing risk for Bonneville and customers.

Draft Policy § 1.1.1.

Public Comments

Alliance of Western Energy Consumers[11] (AWEC), NRU and Tacoma Power (Tacoma) commented in support of the four principles. POC-050-AWEC; POC-031-NRU; POC-042-Tacoma. AWEC further commented that it supported the first principle in light of its support for the tiered rate construct and much of AWEC's comments focus on upholding the tenet of a lowest Priority Firm (PF) Tier 1 rate. POC-050-AWEC. Public Utility District No. 1 of Franklin County (Franklin) did not specifically address the principles but stated that contracts should provide PF Tier 1 firm power rates at the lowest possible rate consistent with sound business principles. POC-026-Franklin.

Mason Public Utility District 3 (Mason 3) and WPAG generally supported the principles as written but proposed two modifications. First, they would like to see the fifth goal, that contracts support customers meeting national and regional objectives, become a principle and modify the language so that it would read: "[c]ontracts support customers meeting national and regional objectives including existing and emerging state legal and regulatory requirements." Mason 3 stated that as a utility, they must conform to regulatory requirements and that any contract it signs must make that possible. Mason 3 recognized goals are aspirational but view these requirements as imperative. WPAG also argued that not making this goal a principle could put customers at risk. WPAG also suggested that if Bonneville was concerned about the commitment, it could extend the principle to add, "to the extent it would not conflict with Bonneville's statutes or be inconsistent with prudent utility practice." POC-022-Mason-3; POC-045-WPAG.

Mason 3 and WPAG also recommended adding a new principle that reads "contracts are adaptable to emerging markets, regulatory changes and evolving end-user needs." Mason 3 commented that given the potential landscape changes contract adaptability will become essential. WPAG commented that customers learned a great deal during the Regional Dialogue contract period on how favoring rigidity above all undermines contract durability. Mason 3 and WPAG would like contracts to better balance certainty with optionality. POC-022-Mason-3; POC-045-WPAG.

PNGC and Orcas Power & Light Cooperative (OPALCO) took issue that the first principle was limited to just PF Tier 1 rates and commented that "Bonneville staff should be aiming for solutions that support all of your customers' needs based on your statutory obligation to

[11] AWEC is a trade organization representing the interests of its members that include large energy consumers located within the region.

provide federal energy and capacity at cost-based rates." PNGC and OPALCO would like to see a principle that states Bonneville's intended PF Tier 2 rate and pricing outcomes. PNGC and OPALCO also commented they were concerned about the lack of "commitment to, or consideration of, Tier 2" in the foundational tiered rate tenets. POC-046-PNGC; POC-013-OPALCO.

Clatskanie People's Utility District (Clatskanie) commented that the goals and principles recognize Bonneville's obligations but fall short on representing customer perspectives. Clatskanie requested a new principle that "compels BPA to increase customer oversight and participation through the term of the Provider of Choice contracts" to recognize the needs of customers. Clatskanie also looked for Bonneville to affirm deliverability as a foundational tenet citing that it is consistent with the Northwest Power Act. POC-020-Clatskanie.

Modern Electric Water Company (Modern) commented that "the principles and goals delineated in the Public Power Post-2028 Concept Paper remain applicable and central to our vision for these contracts." POC-007-Modern.

Evaluation and Decision

Bonneville generally received support for its principles. The agency did not receive any comments on principles two through four. Therefore, Bonneville will adopt principles two through four in the final Policy. Here, Bonneville considers whether changes to the first principle are prudent and whether additional principles should be adopted.

With regard to the first principle, OPALCO and PNGC request that Bonneville modify or add a principle to acknowledge its plan for PF Tier 2 rates. OPALCO and PNGC also express concern about Tier 2 pricing not being covered in the foundational tenets of tiered rates. Under Regional Dialogue when Bonneville first adopted a tiered rate construct, it priced the cost of PF Tier 2 rate power at a cost equivalent to the cost of non-federal resources, such as the price of power being sold in the market. Pricing power this way would ensure a PF Tier 2 rate was set at a level different from a PF Tier 1 rate. A PF Tier 2 rate could be lower or higher than a PF Tier 1 rate depending on the cost of non-federal power at the time Bonneville was establishing power rates. This was intended to create a level playing field for customers when making their elections to supply Above-Contract High Water Mark (Above-CHWM) load between power they could purchase from Bonneville at a PF Tier 2 rate or non-federal resources.

Bonneville heard requests during policy workshops to modify its approach to offering Tier 2 products going forward. Commenters submitted recommendations to set the cost of PF Tier 2 rates at the same level as a PF Tier 1 rate when Bonneville has surplus firm power available that it can use to meet Above-CHWM load. Based on this feedback, in the draft Policy, Bonneville proposed that surplus firm power, when available to meet sales of power at the Long-term Tier 2 rate, would be priced at a cost based on a PF Tier 1 rate. However, this does not change Bonneville's overall intent for setting PF Tier 2 rates. Bonneville addresses PF Tier 2 rate pricing in Issue 95 but the approach for pricing of any rate will be addressed in the PRDM. Bonneville will not amend its first principle to include PF Tier 2 rates, add a new principle to address PF Tier 2 rate pricing, or add a foundational tiered rates tenet on PF Tier 2 rate pricing.

Mason 3 and WPAG request that Bonneville move its fifth goal to a principle and add clarifications. Bonneville recognizes the uncertainty customers face in the next contract period in light of new regulations and the evolving industry landscape. While Bonneville is not subject to the compliance obligations of its customers, Bonneville will work with customers to ensure that contracts do not inhibit their ability to meet applicable regulations. For example, Bonneville will not assume a contractual obligation to guarantee the electric power it sells customers in the State of Washington meets their Clean Energy Transformation Act (CETA) requirements. Should this mean that customers in Washington develop their own resources to meet their state requirement, then Bonneville's contract will include such terms and conditions that enable them to do so. Bonneville will not change the fifth goal of enabling customers to meet their state regulatory requirements to a principle. Bonneville addresses whether to adopt language changes to the fifth goal under Issue 2.

Mason 3 and WPAG also request that Bonneville introduce a new principle that assures contracts are adaptable to emerging markets, regulatory changes, and evolving end-user needs. Bonneville recognizes in Section 1.2 of the Policy that there are many potential changes the region could face over the next contract period and not all impacts are known at this time. Bonneville faced similar conditions under Regional Dialogue when the Great Recession created a very different set of outcomes for customers than originally contemplated during contract development. Bonneville believes that the Regional Dialogue contracts, coupled with the TRM, established a delicate balance between flexibility and rigidity that benefited customers. Bonneville was able to provide certainty of service as the region navigated through unprecedented events while providing opportunities to adapt contracts to changing conditions. Another example of Bonneville's flexibility was its responsiveness to the needs of customers during the COVID-19 pandemic.

Bonneville does not believe adopting a principle for adaptability would benefit the region as it may create a standard that could be interpreted as permitting too much flexibility. The agency asserts that priorities such as longevity, durability, certainty of service, financial certainty, risk mitigation and avoidance of cost shifts are of fundamental importance in the contracts. Bonneville does not agree with the sentiment that its current power sales contract is too rigid. There can be no debate that the parties cannot contemplate all future conditions and/or uncertainties. Rather the question is whether the contracting parties in good faith can, when and if needed, work to reach mutual understanding and agreement on amending the contract. Bonneville encourages customers to identify where in the existing contracts they see too much rigidity and work with Bonneville during the policy implementation and contract development phase to explore areas for contract flexibility.

Clatskanie notes that, "[g]enerally the tone and substance [of the principles and goals] provided speak to accommodating BPA's statutory and financial obligations while missing the customers obligations as a load serving entity facing their own cost and policy obligations." They requested a new principle that would increase customer oversight and participation over the term of the agreement.

First, Bonneville sells electric power at wholesale rates to its regional power customers, some of whom may purchase only a part of their power supply from Bonneville while others may purchase all of their supply from Bonneville. Bonneville's PF customers are located throughout the Pacific Northwest, governed by local boards, face budgetary cost pressures, policy priorities, and in recent years increasing state law mandates such as renewable portfolio standards and clean energy requirements. Even so, Bonneville will not agree in its principles to accommodate or help facilitate customers in meeting those widely diverse and various goals and obligations. While Bonneville can work with customers to accommodate these obligations, it will not guarantee that its contractual offerings will meet every unique need that may arise.

Second, Bonneville provides multiple avenues for customer engagement ranging from input on costs and rates to changes in customer resource elections. While Bonneville contracts accommodate customer resource decisions and, through public processes, invite stakeholder input on Bonneville's costs, the Administrator retains authority over cost decisions impacting the agency. If customers are interested in additional processes under the next contracts, Bonneville encourages them to identify those processes during the policy implementation and contract development phase or in the appropriate financial projection or ratemaking forum. Bonneville will not commit to additional processes at this time but will consider and discuss them with customers ahead of contract signing.

Clatskanie also requests that Bonneville affirm deliverability as a foundational tenet. As the second principle is that contracts will be consistent with statutes, Bonneville will meet its statutory obligations. With regard to deliverability, i.e., transmission, Bonneville added language to Section 6 of the Policy regarding Bonneville's transmission commitments.

Modern states that public power's principles and goals should be kept central when designing future contracts. Bonneville contemplated the principles and goals submitted by public power when it designed its own principles and goals. Bonneville shared its proposed principles and goals in a May 2022 workshop and welcomed feedback. In the workshop, Bonneville explained where public power's principles and goals fit and where Bonneville took a different approach. Bonneville heard from commenters at the time that they understood the differences and accepted the approach. Bonneville acknowledges that every customer will have its own criteria for evaluating whether to sign a Provider of Choice contract.

Bonneville will maintain the principles proposed in the draft Policy.

Issue 2: Should Bonneville make edits to or add new goals to its Provider of Choice goals?

Policy Proposal

Bonneville proposed in Section 1.1.2 of the draft Policy the following seven goals:

1. **Provider of Choice Policy and contracts are regionally supported.** Bonneville's regional firm power customers and the region generally support the Policy and contracts offered by Bonneville. The region will be engaged throughout the transparent process and regular input will ensure Bonneville meets this goal.

2. **The Federal Base System is fully subscribed to supply customers' net requirements.** Bonneville offers attractive products and services at competitive rates.

3. **Product and service offerings are equitable.** Bonneville's product offerings balance benefits, costs and risks while recognizing differences in customers' needs and interests.

4. **Contracts offer customers flexibility to invest in and integrate non-federal resources.** Bonneville will look for opportunities to accommodate the use and integration of customers' non-federal resources as part of power sales contracts and support customers meeting their firm power supply needs while limiting risk and cost increases to applicable power rates.

5. **Contracts support customers meeting national and regional objectives.** Bonneville supports customers in meeting their applicable compliance requirements. Current and emerging issues to be considered include clean energy policies, distribution of environmental attributes, emerging markets and electrification.

6. **Contracts are administratively straightforward and implementable.** Bonneville's contracts simplify the implementation of products and services in a way that minimizes administrative complexity and costs while taking into consideration customers' needs.

7. **Provider of Choice Policy and contracts build on a long history of stewardship and regional relationships.** Bonneville values its relationships and commitments in the Pacific Northwest.

Draft Policy § 1.1.2.

Public Comments

NRU, Mason 3 and WPAG generally supported the goals in the draft Policy, and Tacoma stated their appreciation for the goals. POC-031-NRU; POC-022-Mason-3; POC-045-WPAG; POC-042-Tacoma. Eugene Water & Electric Board (EWEB) signaled support for the goals but highlighted concerns about whether certain draft Policy proposals met the goals. POC-044-EWEB. Franklin

PUD did not specifically address the goals but emphasized that contracts should provide flexibility and remain equitable. POC-026-Franklin.

Idaho Conservation League (ICL) and Columbia Riverkeeper (CRK) requested that Bonneville remove goal number two, which describes the aspiration to fully subscribe the Federal Base System. They argued the goal should be more focused on delivering a product that "encourages development of new renewables while advancing Bonneville's other obligations to protect fish and wildlife…[.]" In addition, ICL and CRK stated that the provision is deeply anticompetitive and may "run afoul of federal antitrust laws if BPA were subject to such laws." They also emphasized that Bonneville must act in accordance with sound business principles. POC-030-ICL-CRK.

Mason 3 and WPAG recommended amending goal number five to read "[c]ontracts support customers meeting national and regional objectives including existing and emerging state legal and regulatory requirements." They believed the amended language would provide more assurance and support to customers in the face of the emerging landscape. They also requested the fifth goal be made a principle, which Bonneville addresses separately in Issue 1. POC-022-Mason-3; POC-045-WPAG.

EWEB recommended adding a new goal that contracts should aspire to "maximize the value of the federal hydro system <u>and</u> customer resources." EWEB tied its rationale to the desire to see future compatibility with day-ahead market participation. EWEB commented that future market participation must include optimized dispatch for non-federal resources and states that a goal aspiring to this would demonstrate that commitment. POC-044-EWEB.

Evaluation and Decision

ICL and CRK request Bonneville remove its goal to fully subscribe the Federal Base System based on two arguments. The first argument is that the goal should focus on encouraging renewable development while advancing protection of fish and wildlife obligations. Bonneville sees this goal as consistent with those interests given the Administrator's marketing of power and the public purposes of the Northwest Power Act, such as encouraging conservation, development of renewable resources, assuring the region an adequate, efficient, economical, and reliable power supply, and protecting, mitigating and enhancing fish and wildlife are interwoven. Bonneville will continue to meet any obligations and public purposes it has to the region, which include any environmental obligations. Bonneville will factor in its obligations in determining whether it needs to acquire additional resources to meet its load obligations. The Policy promotes increased flexibility in non-federal resources that do not exist under Regional Dialogue. Bonneville will increase the minimum threshold for requiring non-federal resources to be dedicated in the contract as well as provide an allowance for customers to add non-federal resources that offset their Tier 1 take-or-pay obligation. Bonneville believes that these additional flexibilities will support development of renewables.

The second argument ICL and CRK make is that if Bonneville were subject to antitrust laws, the goal would be found to be deeply anticompetitive. Bonneville's intent to "fully subscribe" the Federal Base System is in accordance with Bonneville's statutory mandate to market power. Bonneville, like all federal agencies, must fulfill statutory directives from Congress. If there are actions which federal agencies are carrying out which are viewed to be not in the public interest or, as claimed by ICL and CRK, to violate anti-trust law or is anti-competitive, the appropriate forum for addressing these issues is within Congress. By fully subscribing the Federal Base System, Bonneville intends to supply power that is produced not only from federal dams, but also power produced by a non-federal nuclear project and various other non-federal resources. In doing so Bonneville meets its statutory obligation to offer contracts for the sale of electric power when requested to meet customers' net requirements. Bonneville also has statutory obligations to recover its total system costs and repay federal investment in the dams. And, if needed to satisfy its contractual obligations, Bonneville will acquire additional resources. Bonneville's goal to fully subscribe the Federal Base System is not anticompetitive. Finally, and most importantly, customers can make choices and are not constrained by Bonneville in their ability to request power sales contracts, negotiate contract terms and conditions, and the development of products and services, including whether to develop and/or acquire their own non-federal resources. Therefore, Bonneville will not change or remove its first goal.

Mason 3 and WPAG request additional language to the fifth goal to acknowledge customers' existing and emerging state legal and regulatory requirements. Bonneville's customers are responsible for meeting state legal and regulatory requirements, as described in Issue 1. While Bonneville will continue to explore ways to support customers meeting these requirements, and at the very least not impede their ability to meet them, Bonneville will not make a commitment to meet customers' state requirements in its goals or change the language of goal five.

EWEB requests a new goal around maximizing the federal system output as well as non-federal resources. The purpose of Bonneville's Policy and contracts is to serve firm net requirements load. Bonneville's primary use of the system is to ensure it can meet its contractual obligations. If there is surplus power available after Bonneville's long-term power sales contract obligations and any other supply obligations are met, it may look at how to maximize these secondary sales to provide value for customers, which is done today in the form of a net secondary revenue credit. Customers have the option to dedicate non-federal resources that reduce the Administrator's obligation to serve load and are responsible for their non-federal resource performance. Customers are offered a suite of product offerings and may select a product that best provides them with the flexibility to operate their non-federal resources if they so choose. If a customer wants the opportunity to optimize their non-federal resources in a market, they may do so through that product selection. Bonneville will not commit to a goal to optimize either the federal system or non-federal resources in a market setting. As discussed in Issue 7, Bonneville is considering day-ahead market participation in a separate process.

Bonneville will maintain the goals proposed in the draft Policy.

Issue 3: Should the Policy address tribal treaty and trust obligations?

Policy Proposal

Bonneville's draft Policy did not specifically address tribal treaty and trust obligations.

Public Comments

The Nez Perce Tribe (Nez Perce) requested that Bonneville amend the draft Policy to recognize its treaty obligations and explain how the Policy is "consistent with the [U.S.] treaty obligations to protect Treaty-reserved rights and resources for the Tribe and other Basin Tribes." The Nez Perce also requested that Bonneville amend the draft Policy to recognize its tribal trust responsibility to the Tribe and explain how the Policy is "consistent with the U.S. protection of Trust Assets – properties and other resources held in Trust by the U.S. – which could be affected by the Policy, including but not limited to Tribal submerged and riparian lands, and Tribal water rights, affected by the Federal Columbia River Power System." The Nez Perce requested that Bonneville should include "recognition of the need for consideration and protection of the Treaty Rights and Trust Assets of the Nez Perce Tribe and other Basin Tribes" in its principles and goals for the Policy and contracts. POC-081-Nez-Perce.

Evaluation and Decision

The Nez Perce requests that Bonneville amend the draft Policy to explain how it is consistent with U.S. treaty and trust obligations to Columbia River Basin tribes. Bonneville's Provider of Choice Policy sets the direction for Bonneville's statutorily required section 5(b) contract offerings for firm power service. Bonneville does not independently identify in the Policy every statutory, treaty, regulatory, or other obligation that Bonneville may have or state Bonneville's intent to comply with such obligations. As a federal agency, Bonneville will comply with applicable statutory, treaty, and regulatory requirements and maintain contract commitments.

The Nez Perce also requested that Bonneville amend the draft Policy to explain how it is consistent with the U.S. protection of trust assets including "properties and other resources held in Trust by the U.S. – which could be affected by the Policy, including but not limited to Tribal submerged and riparian lands, and Tribal water rights, affected by the Federal Columbia River Power System." POC-081-Nez-Perce. Bonneville recognizes the "undisputed existence of a general trust relationship between the United States and the Indian people." *United States v. Mitchell*, 463 U.S. 206, 225 (1983). Bonneville also recognizes that it shares in this general trust responsibility. While there is a "distinctive obligation of trust incumbent upon the Government in its dealings with [Indian tribes]," that alone does not impose a duty on the government to take action beyond complying with generally applicable statutes and regulations." *Gros Ventre Tribe v. United States*, 469 F.3d 801, 810 (9th Cir. 2006).

Bonneville fulfills its treaty and trust responsibility by working with the Pacific Northwest tribes in accordance with Bonneville's Tribal Policy. Bonneville also fulfills its responsibility by complying with laws governing Bonneville's activities, including but not limited to the Northwest Power Act, the American Indian Religious Freedom Act (as amended), the Native American Graves Protection and Repatriation Act, the Native American Free Exercise of Religion Act, the National Historic Preservation Act, and the Archaeological Resources Protection Act.

As mentioned above, Bonneville's Provider of Choice Policy sets the direction for Bonneville's statutorily required section 5(b) contract offerings for firm power service. The Policy does not change Bonneville's obligations as required under existing laws. Nor does the Policy include provisions that would directly affect tribal lands or resources that are held in trust by the federal government.

Bonneville did not include principles or goals that specify the obligations that Bonneville must meet outside of its power sales contracts. The Provider of Choice contracts will establish obligations for power sold by Bonneville to customers. As such, Bonneville will maintain its draft Policy position.

Issue 4: Should Bonneville address tribal engagement in its Policy and/or ROD?

Policy Proposal

In Section 1 of the draft Policy, Bonneville outlined the extensive public process that Bonneville has conducted from 2016 through the publication of the draft Policy in July 2023. During this time, Bonneville engaged the region in an extensive, iterative and structured public process involving customers and interested parties, including tribes.

Public Comments

Multiple commenters requested that Bonneville ensure there is active consultation with Pacific Northwest tribal governments. ICL and CRK requested "meaningful engagement" with non-utility entities and stated that "[d]irect consultation with Northwest Tribal Nations must be a part of both the contract policy development and implementation." POC-030-ICL-CRK. The environmental form letter commenters made a nearly identical statement in support of tribal consultation. POC-006-Form-Letter. The Labor and Environmental Coalition[12] commented that Bonneville should "guarantee meaningful stakeholder engagement, including consultation with Tribal Nations, throughout the Provider of Choice process and related processes including 5(b)9(c) Public Process, [contract high water mark (CHWM)] Public Process, and the 2024 Resource Program." The Labor and Environmental Coalition defined meaningful as requiring

[12] The Labor and Environmental Coalition includes Washington State Labor Council AFL-CIO, Natural Resources Defense Council, Sierra Club, Climate Solutions, Certified Electrical Workers of Washington, United Steelworkers Local 338, International Association of Machinists and Aerospace Workers District 751, BlueGreen Alliance, Heat & Frost Insulators and Fire Containment Workers Local 7, NW Energy Coalition, Washington Conservation Action, United Steelworkers District 12, and Teamsters 117.

"adequate notice, information, and transparency to ensure a constructive process and not only listening to stakeholders but truly hearing and acting on their input." POC-016-Labor-Environmental. The NW Energy Coalition (NWEC) Group[13] commented that "[d]irect consultation with Tribal governments is also imperative." POC-028-NWEC-Group. The Warm Springs Power & Water Enterprises (WSPWE) emphasized Biden Administration efforts to improve tribal consultation and noted: "WSPWE and the Tribe will continue heightened engagement with BPA to advance the opportunity to pursue [the Confederated Tribes of the Warm Springs Reservation of Oregon] energy goals, the clean energy goals of the State of Oregon, and the climate change goals pursued by BPA's parent agency, the Department of Energy." POC-057-WSPWE.

Evaluation and Decision

Commenters suggest that Bonneville should engage in formal consultation with Northwest Tribes during Provider of Choice policy and contract development. Bonneville recognizes the unique government-to-government relationship the agency has with federally recognized tribes within Bonneville's service territory. Bonneville has a Tribal Affairs organization that outreaches and communicates with tribes regarding Bonneville programs, projects, and initiatives. Bonneville meets with tribes in formal and informal settings and strives to proactively resolve tribal concerns. For example, Bonneville meets with tribes about specific projects, such as during National Environmental Policy Act (NEPA) processes, or specifically consults with tribes as part of its obligations under National Historic Preservation Act section 106 processes. Bonneville's Tribal Policy also outlines when the agency will seek formal consultation with tribal governments. Bonneville also engages in government-to-government consultations whenever requested by tribal governments. While the Provider of Choice process is inclusive, it is not intended to replace formal consultation when required. Bonneville will continue to consult with tribes consistent with its Tribal Policy and will meet with any tribe that requests formal government-to-government consultation on any issue, including Provider of Choice Policy and contracts and related processes.

Issue 5: Should Bonneville consider additions to its emerging landscape section?

Policy Proposal

Section 1.2 of the draft Policy covered the expected energy landscape shifts Bonneville and customers may experience during the Provider of Choice contract period driven in part by new federal or state laws and regulations that require decarbonization and electrification, as well as by regional market development. The draft Policy addressed known areas of emerging industry changes that have foreseeable impacts to load service including the Western Resource

[13] The NWEC Group includes the NW Energy Coalition, Sierra Club, Natural Resources Defense Club, Save our Wild Salmon Coalition, Northwest Sportfishing Industry Association, American Rivers, and Oregon Citizen's Utility Board.

Adequacy Program (WRAP), potential day-ahead markets, a possible West-wide Regional Transmission Organization (RTO), and efforts towards decarbonization.

Public Comments

WSPWE was "pleased that the Draft Policy recognizes the emerging landscape, including but not limited to federal and/or state initiatives that require decarbonization." POC-057-WSPWE.

Several commenters requested that Bonneville acknowledge expected load growth in the region in its emerging landscape section. The New Large Single Load (NLSL) Group[14] requested that Bonneville should acknowledge additional changes to the landscape section that includes language regarding "the expectation of large growth of NLSLs and the related impacts to regional economic growth." POC-032-NLSL-Group. WPAG requested language addressing electrification as well as acknowledging the increased number and size of NLSLs expected as a result of new data and server farm loads. POC-045-WPAG. NRU stopped short of requesting language but notes that "the emergence of new large loads in the region in recent years and other forecasted future load growth is part of the emerging landscape that could have profound effects on the regional energy market." POC-031-NRU.

Clatskanie commented that REP, the Columbia River Treaty (CRT), and Bonneville's environmental obligations collectively "amount to a risk center that must be owned and addressed by the Administrator in the PoC Policy." Clatskanie expressed concerns over the "open ended cost obligation" that could be placed on customers. While Clatskanie did not expressly request a new landscape section, they suggested other topics should be referenced or acknowledged in the landscape section. POC-020-Clatskanie.

Evaluation and Decision

Bonneville included Section 1.2 as drafted in the Policy but contemplated two additions to the section. The first was whether to include a section acknowledging load growth, in particular the expected increase of discreet large loads in the region.

Bonneville's concept paper included an emerging landscape section on electrification. It stated:

> Electrification refers to the increase in load as the result of efforts to reduce greenhouse gas emissions. This is fueled by laws and regulations as well as by market forces. Substantial electrification would result in increased load for electric utilities, likely with an expectation that load is served by carbon-free resources.

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[14] The NLSL Group is comprised of Bonneville preference customers who serve retail members and customers that the Northwest Power Act categorizes as NLSLs. Member utilities include Umatilla Electric Cooperative, Northern Wasco County PUD, Grant PUD, PNGC Power, Emerald PUD, Klickitat PUD, and Eugene Water and Electric Board.

Bonneville's Provider of Choice Concept Paper at 4.[15] While electrification was not explicitly addressed in the comments, Bonneville and customers anticipate rapid growth like the large loads addressed by commenters. Given that Bonneville addressed loads in its concept paper, it seems reasonable to address expected regional load growth in its final Policy. Bonneville agrees with commenters that the Policy should address all types of load growth that are likely to be different from past expectations and therefore Bonneville will include both electrification and new large loads as forms of load growth contributing to the changing energy landscapes. The Policy now includes an acknowledgement of expected NLSLs.

Bonneville updated the Policy to state:

> The region anticipates high levels of load growth from electrification and in the number of large loads over the Provider of Choice contract period. Electrification refers to the increase in load served with electricity as the result of efforts to reduce GHG emissions. This is fueled by laws and regulations as well as by market forces. Substantial electrification would result in increased load for electric utilities, likely with an expectation that load is served by carbon-free resources.
>
> In addition to electrification, in recent years a number of single large loads have located in the region, with this trend expected to accelerate into the next contract period. This load growth has largely been driven by server farms, which may or may not become designated as new large single loads (NLSLs). If customers elect for Bonneville to serve these increasing loads, Bonneville may need to consider how it will acquire resources to do so, assuming the system is fully subscribed.

Policy § 1.2.5 (footnote omitted).

Bonneville's second consideration was whether to add a section acknowledging other processes or actions that could have impacts on the contracts such as REP, CRT or environmental obligations. Bonneville recognized that REP is an important consideration to customers as addressed in Section 10 of the Policy. However, Bonneville also acknowledged that REP has no direct impact on the Policy or contracts themselves. Instead, the impact is on costs that are recovered through rates. Therefore, Bonneville does not feel it is necessary to acknowledge the impact of REP in the landscape section.

As for potential impacts to the federal system capability, such as CRT or environmental obligations, Bonneville has acknowledged that these are potential changes that may impact its system capability in any year under any contract. Bonneville will not address these types of changes in the landscape section but encourages customers to raise any concerns during the policy implementation and contract development phase.

[15] The Provider of Choice Concept Paper is available at https://www.bpa.gov/-/media/Aep/power/provider-of-choice/bpa-provider-of-choice-concept-paper-final-july-2022.pdf.

Issue 6: Should Bonneville's power supply obligation under Provider of Choice contracts ensure customers are able to meet WRAP requirements?

Policy Proposal

In Section 1.2.1 of the draft Policy, Bonneville acknowledged WRAP as part of the emerging energy landscape. Bonneville did not consider, require, or direct WRAP participation.

Public Comments

Many commenters discussed the WRAP or WRAP participation in their comments. Public comments on the WRAP focused on suggestions that Bonneville ensure its contracts, and by extension its products, enable customers to meet WRAP requirements.

The Northwest Power and Conservation Council (Council) and the Western Power Pool (WPP) commented that contracts should not inhibit customers from participating in WRAP. The Council commented that the WRAP is important for regional resource adequacy and that the "[s]uccess of this program, in part, relies on having appropriate planning assumptions and sufficient penalties such that participants develop the resources necessary for regional adequacy." The Council stated that Provider of Choice contracts should "support WRAP compliance for all participating entities, or at a minimum not inhibit WRAP participation or compliance." (POC-025-Council). WPP commented that not having planned product customers participate in WRAP would be a significant concern to WRAP's functionality and cost recovery as these customers "may total about 11% of WRAP load but almost 27% of the number of total participants." WPP requested that Bonneville work to ensure contracts do not inhibit customer participation in WRAP including the transition. POC-021-WPP.

Several commenters expressed concerns about how products would work with WRAP. Seattle City Light (Seattle) commented that the lack of certainty around product design in the draft Policy may lead "customers who do not meet resource adequacy may choose to delay joining the [WRAP], as participants in the program who do not meet resource adequacy would suffer penalties." Seattle stated that this could create inefficiencies if participants delay their participation. POC-039-Seattle. Energy & Environmental Economics, Inc. (E3) commented that participants in the binding program will be "subject to financial penalties for non-compliance" that will force Bonneville and its customers to "procure capacity using WRAP-accredited capacity values." E3 advocated that Bonneville should commit to offering a product that would ensure customers can meet their WRAP requirements. POC-018-E3.

Public Utility District No. 1 of Snohomish County (Snohomish) commented that it is likely planned product customers will be WRAP load-responsible entities[16] (LREs). Therefore, Snohomish requested that Bonneville design planned products "to facilitate customers' ability

[16] A load responsible entity is defined by the WRAP as an entity that (i) owns, controls, and/or purchases capacity resources, or is a Federal Power Marketing Administration or a Canadian Power Marketing Entity, and (ii) has the obligation, either through statute, rule, contract, or otherwise, to meet energy or system loads at all hours.

to meet WRAP and day-ahead market requirements, including obligations to offer sufficient capacity and flexibility to the market." POC-033-Snohomish. Public Utility District No. 2 of Grant County, Washington (Grant) commented that "clarity is needed on the compatibility of BPA's power products with new and evolving obligations under the Western Resource Adequacy Program." POC-012-Grant.

Public Utility District #1 of Lewis County (Lewis) and Clatskanie supported Bonneville's WRAP participation. As a WRAP participant, Lewis requested Bonneville work through how contingency reserves (CR) and planning obligations would be required under different products to meet WRAP compliance. POC-055-Lewis. Clatskanie asked that Bonneville "acknowledge that customers electing to directly participate in regional [resource adequacy (RA)] through the WRAP may require amendments to products and offerings as well; and BPA will endeavor to work with customers in meeting those needs." POC-020-Clatskanie.

The NLSL Group requested that Bonneville "indicate whether or not they intend to develop products and to remove barriers that would allow NLSLs to participate in WRAP." POC-032-NLSL-Group.

Evaluation and Decision

WRAP has been designed to be a voluntary program that is freely entered into by any individual LRE. By participating in WRAP, participants share in the diversity of the region's capacity made available by the large geographic footprint of program participants. The greater the number of participants, the amount of capacity, and area covered by the program, the greater the diversity in peak load hour. Participants also commit to binding program requirements to ensure they are delivering their share of the WRAP participant footprint's needed capacity to assure resource adequacy. Bonneville is supportive of the WRAP and believes the region, as a whole, must be vigilant to maintain resource adequacy. Bonneville has been a participating member in the design and establishment of the WRAP and is a current participant in the non-binding program. In December 2022, Bonneville voluntarily chose to join the WRAP's binding program.

As a WRAP participant, Bonneville must show it has resources available to meet the total hourly peak load amount associated with its total regional firm power sales contract obligation, as well as a Planning Reserve Margin[17] (PRM), for any power supply obligation that it serves and follows on an hour-to-hour basis. Bonneville determined that under WRAP definitions, the load that Bonneville follows on an hour-to-hour basis is supplied pursuant to its Load Following product. Notwithstanding WRAP, Bonneville has the contractual obligation to supply power to meet the aggregated loads of Load Following customers on an hourly basis.

[17] The WRAP Tariff defines PRM as "[a]n Ag and other conditions such as higher resource outages, or lower availability of resources, expressed as a percentage of the applicable peak load forecast . . .." WRAP Tariff § 1, available at https://www.westernpowerpool.org/private-media/documents/WRAP_Tariff_12-12-22_W0327945x8DF47_2.pdf.

WRAP is a voluntary program. Bonneville is not proposing, nor does it intend, to impose any requirement that its customers must be a WRAP participant. The decision to join the WRAP program is individual LRE specific. Each LRE who has a responsibility to follow loads on an hour-to-hour basis can decide whether to join the program based on their own business and risk portfolios. A Load Following customer is not a LRE as they put the responsibility of meeting their hour-to-hour load on Bonneville. While Bonneville chose to participate in WRAP, each individual planned product – Slice/Block and/or Block – customer is contractually obligated to meet their load, net of the planned amount of power they purchase from Bonneville, through their own planning and resource decisions and acquisitions. Each planned product customer is responsible for deciding whether to join the program, which is not required but voluntary. Bonneville does not intend to offer a planned product, or an add-on service to a planned product, that would transfer the hour-to-hour load following responsibility back to Bonneville.

Bonneville will ensure that each product is clearly defined during the policy implementation and contract development phase. This will include outlining what planning obligations Bonneville will take on for each product and what obligations will be the responsibility of the customer. Bonneville will not guarantee that each product ensures a customer is WRAP-compliant, but also will not design contracts in a manner that would inhibit customer participation in the WRAP. By outlining Bonneville's commitments in each product, customers will be able to evaluate how they can best meet WRAP compliance within their own resource portfolio. Bonneville remains committed to WRAP's goal of maintaining a resource adequate region.

Issue 7: Should Bonneville address day-ahead market process issues in the Policy?

Policy Proposal

In Section 1.2.2 of the draft Policy, Bonneville acknowledged that Western utilities have started to discuss formation of a regional day-ahead market. A day-ahead market would optimize a participant's loads, resources and transmission within the market footprint using a security constrained unit commitment and economic dispatch on a day-ahead basis with hourly granularity. A potential day-ahead market would have a much larger volume of transactions than a real-time market.

Bonneville explained that it is conducting an evaluation on whether it should join a day-ahead market in a separate public process. Bonneville described that regardless of whether Bonneville joins a day-ahead market, other balancing authorities are likely to do so, and Bonneville would be impacted because it serves customer load located in those balancing authority areas and is subject to third-party transmission provider tariffs. Bonneville acknowledged that it must examine market-related issues with customers such as how power is delivered and potential scheduling changes.

Public Comments

Bonneville received numerous public comments related to Bonneville's approach to addressing issues related to day-ahead market development in the Provider of Choice process.

Some commenters expressed support for day-ahead market exploration. The Council recommended that "Bonneville should develop a robust solution that supports regional collaboration in the Western Resource Adequacy Program and future markets that bring value to the region." The Council asserted that "market offerings are likely to bring significant benefits to the Northwest and support the region in meeting these challenges ahead." The Council concluded that "[t]herefore, it is imperative that Bonneville contracts provide a robust solution that is supportive – or at a minimum does not inhibit – the development of these market solutions." POC-025-Council.

PPC expressed its "support of exploring organized market participation as a tool to further enhance the value of BPA products and services for its customers." POC-029-PPC. NRU "appreciate[d] Bonneville's leadership in engaging customers in its separate public workshop process to evaluate whether it can participate in a day-ahead market." POC-031-NRU. PPC, NRU, and WPAG acknowledged that Bonneville is exploring potential day-ahead market participation in a separate public process. POC-029-PPC; POC-031-NRU; POC-045-WPAG.

Some commenters questioned whether Bonneville should adjust its process approach to considering day-ahead market participation. AWEC commented that "[e]merging markets and BPA's participation in regional market structures injects significant uncertainty into the development of this policy and the following contracts." POC-050-AWEC. Franklin commented that "[h]aving unknown consequences from potential market participation and inconsistent methodologies within those markets must be addressed prior to requiring customer signatures." POC-026-Franklin. Seattle recognized that Bonneville and its customers must be flexible to adapt to market rules. POC-039-Seattle.

The NWEC Group supported Bonneville's intent that the Provider of Choice products and contracts be compatible with day-ahead market design to ensure that Bonneville and customers adapt to the changing energy landscape. However, the NWEC Group expressed that comingling of issues between the Provider of Choice process and day-ahead market process "is confusing and BPA should consider slowing down both processes until there is more clarity on market design." POC-028-NWEC-Group.

PPC reiterated three "value lenses" that they introduced in the day-ahead market process. PPC requested Bonneville demonstrate how value is retained for preference customers when served by an organized market using the three "value lenses":

1. Firmness of power supply: customers currently have a high level of confidence that generation from the [Federal Base System] will be available to serve their

net load and that BPA will be able to deliver on its contractual agreements. Customers have this confidence based on a robust planning process conducted by BPA and funded through customers' power rates. Today when generation from the FBS is available, customers can be assured that their load will be the primary use of that generation.

2. Certainty of delivery: curtailments of BPA firm transmission are exceedingly rare, which offers customers a high level of certainty that generation purchased from BPA will be delivered to preference load. Firm transfer service also provides a high level of confidence in federal deliveries; and
3. Environmental attributes: BPA's generating portfolio is dominated by hydro and augmented with nuclear generation and limited purchases from unspecified resources. This results in a federal base system with very low carbon content. Today it is clear that these attributes are associated with BPA's power products and that BPA's customers can claim these attributes for the portion of their power supply coming from BPA.

POC-029-PPC. Mason 3 supported PPC's request for Bonneville to assess market participation through these value lenses. POC-022-Mason-3.

WPAG commented that any changes to products to accommodate Bonneville's participation in a day-ahead market should be informed by three principles that WPAG proposed in Bonneville's day-ahead market process, Bonneville's participation should "[p]reserve and enhance the value of BPA's products and services," "be consistent with BPA's statutory, regulatory, and contractual obligations," and "enable and in no way hinder BPA's ability to deliver on the promises it makes to preference customers[.]" WPAG explained that this includes but is not limited to ensuring the environmental attributes of the federal system are delivered to preference customers, ensuring power rates are based on the cost of the federal system, effectuating preference to surplus and to firm power in moments of scarcity, and maintaining a firm and deliverable power supply. POC-045-WPAG. Mason 3 supported these principles. POC-022-Mason-3. See related ROD Section 8 for more on the conveyance of environmental attributes.

Seattle acknowledged that "BPA must exhibit flexibility in its products and processes in order to maximize benefits from emerging markets." Seattle encouraged Bonneville to adopt new approaches and power products that would facilitate its market participation. Seattle "appreciates that BPA has laid the groundwork with customers throughout the POC process that there may need to be future changes made to anticipated planned products and operations in order to ensure market compatibility[,]" and "[t]hese changes may also impact load following customers." POC-039-Seattle.

PPC posed questions about customer ability to bid Bonneville products or non-federal resources into a day-ahead market. PPC commented that "[c]ustomers need to have a sense of how the products will work in the market, how that interaction will impact their business models, and the type of financial and operation exposure customers would experience under various market options." POC-029-PPC. EWEB stated that Bonneville's products and policy should maximize value in organized markets for not only the federal hydro system but also for customer resources. EWEB requested that Bonneville explain how customer dedicated resource requirements will change under organized markets. EWEB asserted that "all resources encumbered in the POC contract need to have the opportunity to be optimized in organized market dispatch." POC-044-EWEB.

PPC also requested clarification on how Bonneville would serve customers at cost in the context of day-ahead market participation. POC-029-PPC. NRU expressed that "if Bonneville is serious about joining an organized market, then it will need to likewise demonstrate that it is serious about ensuring that the benefits of joining that market flow to preference customers in a manner equivalent to their risk exposure." NRU pointed out that the Administrator must recover costs even when market conditions are poor. NRU requested "commitments in the Provider of Choice policy as to how [reserves distribution clause] funds would be distributed solely to benefit preference customers in the form of rate relief or FCRPS improvements, for example, would be a step in the right direction and an important point to Bonneville's credit in any future discussions on day-ahead markets." POC-031-NRU.

NRU, PPC, Clatskanie and Franklin requested that Bonneville identify how it will continue to meet its statutory, regulatory, and contractual obligations while participating in a day-ahead market, especially Northwest Power Act section 5(b) load service obligations. POC-031-NRU; POC-029-PPC; POC-026-Franklin; POC-020-Clatskanie. PPC requested that Bonneville demonstrate how PPC members' statutory rights and value related to delivery of Bonneville's products under today's bilateral markets will be retained, as well as explain how Bonneville will meet its obligation to first offer federal surplus to preference customers. POC-029-PPC.

Clatskanie "support[ed] BPA in the evaluation of day-ahead market participation and believe[s] it is within the Administrator's ability to maintain 'preference' while also participating in organized markets." POC-020-Clatskanie.

PPC suggested Bonneville address "customers' options if they do not want to be served through economized market dispatches." POC-029-PPC. WPAG recommended that in workshops, Bonneville and customers "should address the question of whether BPA should be ready to develop alternative contracts in the event some BPA customers do not agree… [for] BPA to serve them through market dispatches." WPAG stated that "this is not intended to presuppose the need for such an outcome, but instead to acknowledge the possibility, similar to how BPA offered under [Regional Dialogue] to develop a non-CHWM contract[.]" POC-045-WPAG.

PPC noted that Bonneville should ensure market compatibility with transfer service. POC-029-PPC.

ICL and CRK did not disagree with Bonneville's intent that Provider of Choice products be compatible with day-ahead markets, but "believe[d] that participation in regional energy markets should be contingent on meeting its obligations around fish and wildlife." POC-030-ICL-CRK.

Evaluation and Decision

Bonneville appreciates the very thorough and thoughtful comments submitted regarding day-ahead market development and how it relates to the Provider of Choice Policy and contracts. As described in the draft Policy, Bonneville intends to design its Provider of Choice products to be compatible with day-ahead market designs. Bonneville understands and acknowledges that decisions made in the Provider of Choice process and day-ahead market process could be interdependent.

Bonneville recognizes that commenters are interested in examining how a transition to organized markets may be beneficial for customers and the region. In Bonneville's 2024-2028 Strategic Plan, Bonneville articulated a goal to "provide regional leadership in the exploration of new markets and more interconnected system operations that may enhance reliability, resilience and sustainability." 2024-2028 Strategic Plan at 8[18] Bonneville remains committed to this goal as it explores day-ahead market participation as well as how day-ahead markets may impact future products and services. The Council, PPC, NRU, WPAG and other commenters recognize that emerging markets have the potential to provide Bonneville and its customers with a means to enhance the value of the federal system. Bonneville and its customers must be flexible as regional conversations evolve, market design developments mature, and market impacts on Bonneville's products and services and non-federal resources become clearer. Bonneville recognizes that, at the time of the Policy being published, there is still much that needs to mature in the region's understanding of markets and impact to Bonneville's offerings, such as the need to understand the impacts on non-federal resources.

Bonneville deeply values that many commenters have been actively participating in both the Provider of Choice and day-ahead market processes. Bonneville particularly welcomes feedback on how it should assess the potential value of participation for its customers. As many commenters highlighted, the primary driver for Bonneville to participate in a day-ahead market would be to provide value for its customers. In the day-ahead market process, Bonneville is committed to assessing how participation in a market would impact firmness of power supply, certainty of delivery, and environmental attributes as suggested by PPC and the many entities that expressed support for PPC's comments. Bonneville also recognizes NRU and WPAG's request for examination of how market participation could impact Bonneville's costs and the need for customers to assess potential risks and benefits. However, this evaluation is not within the scope of the Provider of Choice process, and Bonneville will not address these issues as part of the final Policy.

[18] Bonneville's 2024-2028 Strategic Plan is available at https://www.bpa.gov/-/media/Aep/about/who-we-are/strategic-plan/2024-2028-strategic-plan.pdf.

Bonneville recognizes that many customers have requested explanations of how Bonneville will meet its statutory obligations to provide preference to public bodies and cooperatives, and to offer contracts for the sale of electric power under section 5(b) of the Northwest Power Act considering the paradigm shift that a transition to a day-ahead market would represent. Bonneville transparently discussed its current approach to meeting section 5(b) obligations in the day-ahead market process workshops and in response to questions raised in the Provider of Choice workshops. As directed in the Bonneville Project Act, the Pacific Northwest Consumer Power Preference Act, and the Northwest Power Act, Bonneville is committed to providing preference in sales of power to public bodies and Pacific Northwest entities when there are competing applications for power. Bonneville will continue to meet its environmental statutory obligations, including those under the Northwest Power Act, Endangered Species Act and the NEPA. Bonneville will further explain its ability to meet its statutory obligations in a day-ahead market context in the day-ahead market process.

Bonneville takes pride in providing a reliable, economical and efficient power supply to its customers. Bonneville's customer base has contributed to the repayment of debt for the federal system for over eighty years. Bonneville recognizes it is of the utmost importance for the agency and customers to understand how Bonneville's products and services will be impacted as utilities begin to participate in emerging markets. Bonneville values the willingness that customers have expressed to flexibly adapt to the rapidly evolving landscape. Bonneville commits to working with customers and interested parties during the policy implementation and contract development phase to understand market impacts to products and services. Bonneville intends to provide a clear understanding of what contracts are offering to customers, including how they are compatible with day-ahead markets, ahead of requesting customers to sign.

Bonneville recognizes it will be crucial for the Provider of Choice and day-ahead market processes to be aligned as issues evolve. Bonneville will strive to provide clarity where overlapping issues will be addressed and ensure decisions in one arena that impact the other are clearly explained. Bonneville will address its statutory authority to participate in a day-ahead market in the day-ahead market process. Bonneville will work collaboratively during the Provider of Choice policy implementation and contract development phase to address changes to products and services and impacts on non-federal resources from Bonneville and/or other utilities' potential participation in day-ahead markets. Bonneville looks forward to working with customers and interested parties on these important and rapidly evolving issues.

Issue 8: Should Bonneville acknowledge the Thacker Pass Project's role in decarbonization and align its Policy to support this initiative?

Policy Proposal

Bonneville did not address the Thacker Pass Project and its role in decarbonization in the draft Policy. Section 1.2.4 of the draft Policy recognized that national, state, and local efforts to shift toward carbon-free resources are changing the landscape of the energy industry. State-specific laws have directed reducing greenhouse gas (GHG) emissions, increasing the use of renewables, and electrifying transportation and other sectors traditionally dependent on fossil fuels. The draft Policy noted these policies and directives will continue to evolve in the coming decades. The draft policy state that Bonneville recognized that it has a role to play in industry efforts to decarbonize and understands the importance of supporting customers that have state emission reduction mandates and local priorities. Bonneville would highlight its goals related to supporting decarbonization efforts in its upcoming 2024–2028 Strategic Plan.

Public Comments

Harney Electric Cooperative (Harney) commented that Section 1.2.4 of the draft Policy discusses the shift to carbon-free resources and recognizes that Bonneville has a role to play in industry efforts to decarbonize. Harney understands the importance of supporting customers that have state emission reduction mandates and local priorities. Harney commented that based on the magnitude of national, state, and local benefits likely to come from the Thacker Pass Project, Bonneville should help the project's development to the extent possible within the Administrator's discretion. Harney explained the importance of the Thacker Pass project:

> The proposed lithium mine is an important factor in the Biden Administration's objective regarding the United States decarbonization goals through electrifying transportation and development of renewable resources. Lithium from this mine will be used for lithium batteries that are currently critical for electric cars and electric storage. It will also be used in the development of new renewable resources. Federal power provided to the mine will be used for both ore extraction and processing at the mine site.

POC-052-Harney. Harney stated, "[i]f BPA is sincere in supporting its customers local priorities in decarbonization, then BPA needs to consider the impacts of its policies on the Cooperative's efforts to provide power service to the Thacker Pass Project." POC-052-Harney.

Evaluation and Decision

Harney comments that Bonneville should help with the development of the Thacker Pass Project. Bonneville agrees that regional and state carbon issues are important. Many features of the draft Policy provide flexibility and optionality for customers to choose resources to meet their respective needs. However, these objectives focus on supporting customer resource development, and not on supporting particular industries within each customer's service territory. The draft Policy recognized that Bonneville "has a role to play" but did not specify actions or obligations it would commit to undertake through the Policy related to supporting specific decarbonization efforts. Bonneville noted in the draft Policy that goals related to supporting decarbonization efforts are included in the 2024–2028 Strategic Plan. Harney does not offer any other specific actions that Bonneville should take to support the development of the Thacker Pass Project but states the transfer service policy requiring the pass-through of transfer service costs associated with an NLSL is inconsistent with Bonneville's policy position on decarbonization.

Bonneville does not agree that its draft Policy requiring customers to pay for transfer service to deliver resources to an NLSL is inconsistent with the Policy on decarbonization. Bonneville's transfer service NLSL Policy position will be widely applicable to any customer's NLSL served by transfer service and is appropriate as described in Issue 118.

Bonneville acknowledges the potential decarbonization benefits of the Thacker Pass Project but will not update the Policy.

Issue 9: Should Bonneville's Provider of Choice process take a more comprehensive approach in considering other process implications?

Policy Proposal

In Section 1.2, the draft Policy noted the WRAP and day-ahead markets as two initiatives that would impact Provider of Choice contracts. While Section 1.2.1 of the draft Policy acknowledged Bonneville's 2022 decision to join the binding WRAP, the draft Policy did not address the WRAP process and tariff deadline. Section 1.2.2. of the draft Policy explained Bonneville is conducting an evaluation in a separate process to decide whether to join a day-ahead market. The draft Policy did not address details of the coordination between the day-ahead market and Provider of Choice processes.

In Section 2.2 of the draft Policy, Bonneville committed to further define and establish the tiered rate design in the PRDM process.

In Section 9, the draft Policy stated that Bonneville intends to engage customers in a separate public process regarding the post-2028 conservation program. Bonneville committed to this process ahead of power deliveries for Provider of Choice contracts on October 1, 2028.

In Section 10 of the draft Policy, Bonneville provided details regarding the two paths to post-2028 Residential Exchange Program (REP): a path to settlement or a path to adopting a REP rate approach in the BP-29 Rate Case. The draft Policy noted that the timing for the various REP processes would depend on the status of settlement negotiations and stated that if the parties do not reach a settlement, multiple processes must be completed by the time rates go into effect for the post-2028 period.

Public Comments

Modern stressed the "importance of addressing REP issues in parallel with the Provider of Choice process . . . ensuring consistent alignment between all facets of BPA . . . [.]" Modern also advocated for ongoing discussion and coordination between Provider of Choice and the day-ahead market team to ensure Bonneville can continue to provide value to customers through its products and service. POC-007-Modern.

WPP commented that while the Provider of Choice process has a timeline, it is critical to resolve issues ahead of the WRAP tariff deadline. WPP specified that the tariff "provides for a transition period for participants to commit to binding seasons that start with the summer 2025 and continue through winter 2027-2028." POC-021-WPP.

Evaluation and Decision

Bonneville appreciates that there are several parallel processes that customers must consider while determining the product and services they may elect from Bonneville for the Provider of Choice contract period. While the Provider of Choice process is not perfectly aligned with other process timelines, the team strives to coordinate with other Bonneville process teams to ensure that decisions made in one forum are informed by discussions and decisions made in another forum.

Bonneville's goal is to have major Provider of Choice issues resolved ahead of releasing draft contracts for formal comment in spring 2025, and Bonneville intends to have the PRDM adopted in a 7(i) process ending in summer 2025. Bonneville's process for determining its post-2028 implementation of the REP is also ongoing and will be coordinated with the Provider of Choice timelines. Bonneville will be considering how these timelines align with a customer's decision to become a participant in the binding WRAP.

Bonneville's Provider of Choice and day-ahead market teams continue to work closely on the evolving process to determine whether to join a day-ahead market. Bonneville shared in the draft Policy that although it has not made a decision on whether to join a market, and if so which market, it serves load in other balancing authority areas including one that has expressed its intent to join a day-ahead market. Therefore, Bonneville believes it is prudent to design products and services offered to be compatible with day-ahead markets. As details and decisions emerge, the Provider of Choice, day-ahead market, REP and WRAP teams will work closely on issues to ensure contract offerings evolve as needed.

Issue 10: Should Bonneville change its Provider of Choice process timeline to ensure all issues are resolved ahead of contract signing?

Policy Proposal

In Section 1 of the draft Policy, Bonneville proposed that with a final Policy in hand, it would engage the region in a public process to determine how to implement the Policy and codify the policy decisions in Provider of Choice contracts. Bonneville would draft contracts, negotiate with customers, and prepare accompanying documentation to release the contract templates for public comment with the goal of having all firm power customers request and execute new contracts by the end of calendar year 2025. Bonneville and customers would use the time between contract signing and power deliveries, slated for October 1, 2028, to ensure a smooth transition between Regional Dialogue and Provider of Choice contracts.

Bonneville also proposed that it would conduct a process to develop the post-2028 rate design for its public rates — PRDM — to update and replace the current TRM. The draft Policy explained that the process would include a series of educational workshops to establish baseline knowledge of rates as well as explore potential options for changes to the rate design applicable to the Provider of Choice contracts. Bonneville would draft the PRDM with consideration of public input before introducing the methodology in a Northwest Power Act section 7(i) rate proceeding, likely around the time of the BP-26 Rate Case, which would conclude ahead of expected contract signing.

Public Comments

The NWEC Group commented that Bonneville and its customers need to "ascertain whether the current timeline for the Provider of Choice process is sufficient to accommodate the necessary work ahead." POC-028-NWEC-Group. Benton Rural Electric Association (Benton REA) suggested that Bonneville extend its planned contract execution date if the process does not resolve all outstanding issues ahead of contract signing. Alternatively, Benton REA suggested that Bonneville should provide customers with "an off ramp for any issues that are to be resolved after the Provider of Choice contract is executed." POC-009-Benton-REA.

McMinnville Water & Light (McMinnville) expressed discomfort about signing a long-term power sales contract before certain details and calculations were known. They specifically cited concern over the CHWM calculation expected to take place in FY 2026 after contracts are signed. POC-015-McMinnville. Flathead Electric Cooperative (Flathead) commented that given the lack of rate design and rates discussion to date, customers should be offered the opportunity to switch products once a rate design is shared. POC-034-Flathead.

PNGC and OPALCO commented that waiting to resolve issues until the implementation and contract development phase is too late because ". . . this phase is set to occur after the deadline to request preference load service (i.e. the signing date for the new contract)." PNGC and OPALCO urged Bonneville to resolve all issues ahead of October 2025. POC-046-PNGC; POC-013-OPALCO.

Evaluation and Decision

Bonneville continues to assess the feasibility of its timeline based on progress achieved on issue identification and resolution. To date, Bonneville has made some minor adjustments to its timeline to accommodate work associated with individual milestones. Bonneville continues to believe that its current overall timeline is sufficient to resolve remaining policy issues and draft contracts with offers starting in October 2025.

To clarify for PNGC and OPALCO, the timing of the policy implementation and contract development phase will begin immediately following release of the final Policy and this ROD. Bonneville anticipates it will start in April 2024 and continue until contract signing, which is anticipated at the end of 2025. Where Bonneville indicates in the Policy and/or ROD that an issue will be resolved during the policy implementation and contract development phase, Bonneville intends to have the issue resolved ahead of contract signing. There will be a final system readiness/implementation phase that commences after contract signing to ensure that power deliveries under the Provider of Choice contracts can begin October 1, 2028, with a seamless transition from the Regional Dialogue contracts.

If during the process Bonneville and interested parties determine a specific issue needs additional time for further consideration, Bonneville will work with customers to determine whether the issue can be addressed during the system readiness/implementation phase. In some instances, it may be appropriate to resolve certain implementation details after contracts are executed. Bonneville and customers resolved several issues after the Regional Dialogue contracts were executed including but not limited to resource support services (RSS), transmission curtailment management service, and the stand-alone transfer service support agreements. Bonneville will not propose an off-ramp to the contract for issues that parties agree to resolve after contract execution. Instead, Bonneville's goal would be to set a high-level direction prior to contract offer for those items not resolved and work through the details after contracts are executed.

If there are significant unresolved issues by June 2025, Bonneville would revisit its timeline to determine whether there should be an adjustment. Bonneville will endeavor to work through issues in a timely manner in hopes that the timing for contract offer does not need to be extended.

Bonneville noted in the draft Policy that it intends to run the PRDM process in parallel with the policy implementation and contract development phase. This will provide customers an opportunity to see how the Policy, contracts and rates will work together as a package. Bonneville intends to formally adopt the PRDM in the BP-26 Rate Case, which is expected to conclude in July 2025. Bonneville agrees that customers should know the adopted rate methodology before signing contracts and the current timeline will allow this to happen; therefore, Bonneville will not include a product switching option based on rate design.

Commenters also request that Bonneville re-evaluate the timing of the CHWM process to occur before contract signing. Bonneville does not believe that this is workable based on two factors. First, if a customer does not sign a contract, it would not receive a CHWM. In order to calculate a CHWM, a significant amount of detail-oriented work is required to ensure it is based on accurate numbers. This includes collecting data from customers that will be provided via requirements in the new contract. If Bonneville did not have a contract to reference to perform the calculation, it would need another venue to collect the data it needed, which may ultimately duplicate work. Second, the proposed CHWM includes a calculation element that is dependent on the sum of all CHWMs. If any customer does not sign a contract, the equation would change. Bonneville has provided the CHWM Calculation Tool to provide estimates of the calculations described in the draft Policy. Bonneville will release an updated tool, consistent with the decisions included in the final Policy, to provide customers with an updated estimate of CHWMs. Bonneville may consider updated versions as better information is available. More details on whether Bonneville will change the CHWM calculation process or timing is discussed in Issues 46 and 47.

Bonneville intends to keep its current timeline but will continue to work with interested parties to assess whether modifications or changes are needed.

Issue 11: Should Bonneville change its process to engage a broader audience?

Policy Proposal

In Section 1 of the draft Policy, Bonneville described the extensive process that it has engaged in beginning in 2016 with Focus 2028, through the publishing of the draft Policy in July 2023. During this time, Bonneville has engaged the region through an iterative and structured public process involving customers and interested parties in a series of policy development workshops that provided grounding in the policy topics, discussed the intent and design of policy elements, and invited deliberation and proposals. Bonneville held public workshops where participants and interested parties provided informal comments that helped shape the draft Policy over the course of the yearlong process. Bonneville published the draft Policy for public comment in July 2023, and requested interested parties to provide formal comments for consideration through October 13, 2023. After the final Policy is released, Bonneville intended to continue public workshops to discuss policy implementation and develop contract terms.

Public Comments

Bonneville received more than 16,800 form letters. The environmental form letter commenters and ICL and CRK requested that the Provider of Choice process include meaningful engagement with non-utility entities in the region, including Northwest Tribal Nations, non-governmental organizations (NGOs), labor unions and members of the general public. POC-006-Form-Letter; POC-030-ICL-CRK. ICL and CRK expanded that it is not possible for all interested parties to participate in long, technical processes and urged Bonneville to conduct more active engagement to ensure the final Policy and contracts meet the needs of all stakeholders in the region. POC-030-ICL-CRK.

The Environmental Group[19] requested similar outreach but specified they would like to see outreach to "climate/energy NGOS, labor unions, community groups and others." POC-054-Environmental-Group. The Labor and Environmental Coalition commented that Bonneville should guarantee meaningful stakeholder engagement, including consultation with tribal

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[19] The Environmental Group includes Montana Environmental Information Center, 350 WA Network, Washington Clean Energy Campaign, League of Women Voters of Washington, League of Women Voters of Oregon, League of Women Voters of Idaho, League of Women Voters of Montana, League of Women Voters of Wyoming, 350 Deschutes, 350 Salem, Climate Reality Portland, Community Energy Project, Metro Climate Action Team (Oregon), 350 Wenatchee, Kitsap Environmental Coalition, 350 Seattle, Cascadia Wildlands, 350 Tacoma, 350 Eugene, 350 Montan, 350 Eastside, ZERO Coalition (Oregon), and 350 Portland.

nations, throughout the Provider of Choice process and related processes including 5(b)9(c) net requirements determinations, CHWM calculations and the Resource Program. They define meaningful as "require[ing] adequate notice, information, and transparency to ensure a constructive process and not only listening to stakeholders but truly hearing and acting on their input." POC-016-Labor-Environmental.

The Environmental Group and the Labor and Environmental Coalition requested that Bonneville commit to publicly disclosing all feedback on the draft Policy throughout its process, and documenting how it acted on that input consistent with the approach taken under NEPA processes. POC-054-Environmental-Group; POC-016-Labor-Environmental.

The NWEC Group commented that Bonneville should consider its process through an equity lens. They described the process as lengthy and technical and therefore hard to be inclusive of communities that do not have background to participate. The NWEC Group stated in particular "the harm that the energy system has done to Black, Indigenous, and People of Color in the Northwest" and the disproportionate burden these communities face from fossil fuel citing to increased energy costs as major factors in considering how underrepresented voices are elevated and heard. To meet the needs of the region, as a whole, the NWEC Group requested that Bonneville provide more direct outreach to those that do not have the ability to participate in public processes including "public interest organization, consumer advocates, labor organizations, economic development organizations, and community groups representing vulnerable populations or environmental justice communities." POC-028-NWEC-Group.

Finally, Save our Wild Salmon Coalition[20] (SOS Coalition) commented that the Provider of Choice Policy "is an appropriate place for Bonneville to commit itself to working with Tribal nations, Northwest states, customer utilities and other stakeholders to identify and access funds available under the infrastructure Investment and Jobs Act and the Inflation Reduction Act. . .." POC-077-SOS-Coalition.

Evaluation and Decision

[20] The SOS Coalition includes Alaska Trollers Association, American Rivers, American Whitewater, Backbone Campaign, Association of Northwest Steelheaders, Boulder-White Clouds Council, Coastal Trollers Association, Columbia Riverkeeper, Conservation Northwest, Defenders of Wildlife, Earthjustice, Earth Ministry, Endangered Species Coalition, Environment Washington, Fly Fishers International, Friends of the Clearwater, Greater Hells Canyon Council, Idaho Conservation League, Idaho Rivers United, Idaho Wildlife Federation, Institute of Fisheries Resources, Izaak Walton League of America, The Lands Council, Lighthawk, Long Live the Kings, National Parks Conservation Association, National Wildlife Federation, Natural Resources Defense Council, Nimiipuu Protecting the Environment, North Cascades Conservation Council, Northwest Resource Information Center, Northwest Sportfishing Industry Association, NW Energy Coalition, NW Guides and Anglers Association, Oceana, Orca Conservancy, Orca Network, Oregon Natural Desert Association, Oregon Wild, Pacific Coast Federation of Fishermen's Ass'ns, Pacific Rivers, Salmon Protection and Watershed Network, Sierra Club, Washington Kayak Club, Washington Trollers Association, Washington Wild, Washington Wildlife Federation, Water Watch of Oregon, and Whale Scout.

Commenters request that Bonneville ensure meaningful engagement opportunities for other interested parties beyond electric power customers. Bonneville has endeavored to make its Provider of Choice process as open and accessible to the public and interested utilities, including tribal utilities, as possible. Bonneville has publicly noticed every workshop in advance by both posting to the Bonneville event calendar and sending emails through the Tech Forum, the email by which Bonneville announces most meetings and relevant process announcements. All workshops or meetings have been held in an open location and included an online WebEx option for those that could not attend in person. Bonneville also posted the draft Policy and invited public comments in the Federal Register and on Bonneville's public website. Bonneville believes that this process has been as open and transparent as possible and has provided any interested party an opportunity to participate.

Some commenters request that Bonneville actively outreach to groups that may not otherwise be participants in this process. Bonneville has provided many opportunities for parties to participate. In addition, some commenters suggested that Bonneville needs to weigh individual consumer impacts. Bonneville provides power to electric utilities who in turn determine how to serve end-use consumers. It is not within Bonneville's authority to dictate any terms for utility services. Bonneville welcomes end-use consumers to engage and provide feedback to Bonneville directly through the forums provided.

Commenters suggest that workshop content was too technical, which hindered wider participation in the process. Bonneville started the series of policy workshops with educational background on everything from Bonneville's enabling statutes to how Bonneville plans its system and a myriad of other topics. Bonneville also held workshops exploring the impact of different policy directions. Ultimately these conversations led to the development of the draft Policy made available July 2023. Bonneville opened a public comment period for three months and after reviewing all comments, Bonneville has issued the final Policy that will underpin future contracts. While Bonneville has provided a baseline of educational background and has responded to countless clarifying questions in various forums, the subject matter will require technical conversations as discussions mature and focus on load service and other complex topics.

Bonneville's process provided an opportunity for formal comments. Bonneville is issuing a final Policy with an accompanying ROD. The process is similar to the process proscribed by NEPA as some commenters requested. In developing its Policy, Bonneville is not conducting formal rulemaking but nevertheless has provided an extensive public process. Bonneville believes that engaging the region is the best approach to developing a comprehensive policy responsive to changing needs and as such, has extended a process that is open, collaborative, and provides formal opportunities for public comment. In finalizing the Provider of Choice Policy, Bonneville responds directly to comments received during the comment period. The ROD explains where Bonneville has made policy changes, will consider issues at a future date, and why it does not accept certain requests.

Finally, commenters asked Bonneville to ensure there is meaningful engagement across other processes noted in the draft Policy. While each of these efforts is led by separate and distinct teams, Bonneville is committed to strong coordination across process teams and strives to provide open forums for discussion and opportunities to provide feedback.

3. Provider of Choice Foundational Service Elements

In Section 2 of the draft Policy, Bonneville outlined how it would provide service to utilities during the Provider of Choice contract period. The section included specific elements applying to public power customers that are eligible to purchase power at a PF rate, sometimes referenced as PF customers in the draft Policy.

3.1 Net Requirements

As stated in Section 2.1 of the draft Policy, section 5(b)(1) of the Northwest Power Act obligates Bonneville to offer a contract for the sale of power to a requesting eligible customer to serve its firm power load that exceeds the capability of the customer's resources. The amount of firm requirements power a customer is able to purchase is referred to as the customer's net requirements. Bonneville performs a net requirements calculation for each requesting customer to determine the amount of electric power the Administrator is obligated to offer to sell regardless of the product a customer selects. Bonneville will adopt an energy and peak net requirements calculation for the Provider of Choice contract period.

Issue 12: Should Bonneville include in its planned products contract offering the sale of additional capacity to meet such customers' PRM as part of meeting a customer's net requirements load?

Policy Proposal

In Section 3.1 of the draft Policy, Bonneville proposed to continue a key contract distinction between the Load Following product and planned products. As it does today, Bonneville assumes the resource planning obligation for supplying all the power needed to meet a Load Following customer's load net of any non-federal resources they may use to supply their load (e.g., net requirements). Bonneville would continue to require Load Following customers to provide information regarding their use of non-federal resources so that Bonneville can plan accordingly for the operation of resources to meet its contractual load obligation. Conversely, in providing greater flexibility for planned products, Bonneville would not assume any planning obligation beyond Bonneville's monthly planned power delivery, including for power sold at a PF Tier 2 rate, and instead the customer assumes the planning obligation for ensuring load is met.

Given that Bonneville has decided to join the binding WRAP, meeting WRAP's PRM will be part of Bonneville's planning obligation for supplying power to its Load Following customers, as it did under the Northwest Power Pool's reserve sharing program. Bonneville's overall planning obligation will depend upon individual customer product selections. Bonneville will not assume the planning obligation for planned product (Slice/Block and Block) customers because the customer assumes, as part of those contracts, the obligation to supply non-federal power to meet its load to the extent it is not met by its purchase of slice output and/or power from the Block product.

Public Comments

Seattle commented that "if Load Following customers receive capacity to meet their WRAP [Forward-Sharing] Capacity Requirement as PF service that capacity should be reflected in the PNR calculation, and all customers should be eligible for PF service up to their PNR." Seattle also stated they support Load Following customers receiving capacity to meet their WRAP forward-showing requirements. Therefore, Seattle proposed that PRM be considered a requirements load for planned product customers as well. POC-039-Seattle.

Evaluation and Decision

As of January 2024, there were 22 participants in the WRAP, none of whom are Load Following customers. Consequently, no Load Following customers have a forward-showing capacity requirement. In contrast, Bonneville is a participant and, as the supplier of the Load Following product, is assuming the obligation to comply with the WRAP's resource adequacy standards, including the forward-showing capacity requirement, on behalf of the load it follows on an hour-to-hour basis. Seattle currently is a participant in the program, for no doubt many of the reasons Bonneville and others have chosen to participate.

Seattle has product choices to make like any other Bonneville customer. For example, Seattle could request firm requirements power as offered under the Load Following contract. Under a Load Following contract, Seattle's non-federal resources would be accounted for, including their peaking capacity, and applied to serve their load. Net of these resources, Bonneville would be obligated to supply Seattle's remaining energy and peaking needs. Because of Bonneville's participation in the WRAP, Seattle would not have an individual obligation to meet the program's forward-showing capacity requirement if it were a Load Following customer. Bonneville would receive non-federal resource information and data from Load Following customers regarding the forecasted operation and application of their non-federal resources. The agency would then, on a forecast basis, and taking into account the WRAP requirements, plan for and acquire resources if necessary to ensure Bonneville meets its "net requirements" firm power sales contractual obligations.

If, on the other hand, a customer purchases a planned amount of electric power from Bonneville by requesting a Slice/Block or Block contract and chooses to continue its participation in the WRAP, then it is the customer's obligation to comply with the WRAP's forward-showing requirement. In contrast to Load Following customers, planned product customers receive a planned amount of power and must assure they have and use their own resource portfolio to meet their own monthly, weekly, daily and hourly load service obligations.

As described in the Power Subscription Strategy ROD, issued December 21, 1998, for a purchaser to obtain the Slice/Block product, that purchaser must agree to provide sufficient declared non-federal resources for the remainder of its consumer loads not served by the Slice/Block product and have access to other resources and/or the ability to buy and sell in open electricity markets. *See* Administrator's Power Subscription Strategy ROD at 84 (Dec. 21, 1998)[21] Again, in the Regional Dialogue Contract ROD, issued October 31, 2008, Slice/Block and Block products are sold on a planned net requirements basis, in which Bonneville's firm power supply obligation is fixed and the customer is responsible for meeting variations in its actual load. *See* Administrator's Long-Term Regional Dialogue Contract Policy ROD at 11 (Oct. 31, 2008) ("Regional Dialogue Contract ROD").[22] The Regional Dialogue Contract ROD noted that inherent in a customer's decision to purchase Slice/Block is an agreement that they will receive power shaped to the output of the federal system, which at times will be insufficient to meet its loads. If a customer wants power shaped to its specific net requirements shape, it should consider Bonneville's Load Following product. *Id.*

If Bonneville considered offering a planned product that covered planning obligations and the associated risks of meeting hour-to-hour variations in load and resources, Bonneville would need to reconsider how to ensure non-federal resources were being used to serve a customer's load under a specific schedule/expectation. This would be necessary to ensure that firm power was not being used to displace non-federal resources the customer uses to serve its load so that they could be marketed. Such a product would likely become cumbersome to both Bonneville and customers, would likely increase costs, and would require Bonneville to have the ability to limit the non-federal resource flexibility that is designed within each planned product.

As under the Regional Dialogue contracts, Bonneville envisions that planned product customers must not only plan their resource portfolio to meet loads on an hourly basis, but also to meet their loads across annual, monthly, weekly and daily planning horizons. Customers electing a planned product may determine whether they wish to join the voluntary WRAP program (or any other resource-planning program) and take on the program requirements. Again, Bonneville will ensure that it plans to meet product/contract-defined delivery amounts for all planned products. However, Bonneville will not take on the WRAP load service planning obligation for planned product customers because the agency does not make planning decisions based on anticipated operations of planned product customer resources.

Issue 13: Should Bonneville revise the peak net requirements calculation proposed in the draft Policy?

Policy Proposal

[21] Available at https://www.bpa.gov/-/media/Aep/about/publications/records-of-decision/1998-rod/rod-19981221-power-subscription-strategy.pdf.

[22] Available at https://www.bpa.gov/-/media/Aep/about/publications/records-of-decision/2008-rod/rod-20081031-long-term-regional-dialogue-contract-rod.pdf.

In Section 2.1.2 of the draft Policy, Bonneville proposed including a peak net requirements calculation in the Provider of Choice contracts, defined as:

$$Peak\ Net\ Requirements$$
$$= Peak\ Total\ Retail\ Load\ (TRL) - Dedicated\ Resources\ Peaking\ Capability$$

Total Retail Load was defined as the P50 (1:2) forecasted peak hour load on a monthly basis.

The draft Policy proposed to use the WRAP Qualified Capacity Contribution (QCC) methodology, with two adjustments, to define the peaking capability of customers' dedicated resources. The draft Policy proposed two reductions to the WRAP QCC methodology for the peak net requirements calculation:

> 1. The first reduction is to account for resource uncertainty included in WRAP's [PRM]. The WRAP PRM accounts for both load and resource uncertainty. Bonneville will reduce the WRAP individual resource QCC by 50% of the WRAP PRM to account for the resource uncertainty component. The WRAP does not indicate what portion of its PRM is attributed to resource uncertainty. However, the North American Electric Reliability Corporation (NERC) has a construct for allocating contingency reserves between loads and resources that Bonneville follows. NERC standards currently require 6% contingency reserves (CR) and splits them equally 3% for load and 3% for resources. Deducting 50% of the PRM will mirror the NERC construct and account for resource uncertainty.
>
> 2. The second reduction is specific to customers that have Bonneville supply their CR. This reduction recognizes that the PRM is established with an expectation that the PRM accounts for an entity's CR. If Bonneville is responsible for supplying the CR instead of the customer, the PRM value should be reduced by the associated 3% of CR associated with that resource.

(Draft Policy § 2.1.2 (footnote omitted).)

Expressed as a formula, the peak net requirements calculation was as follows:

$$Peak\ Net\ Requirements = Peak\ TRL - Dedicated\ Resource\ Peaking\ Capability$$

$$Where\ Dedicated\ Resource\ Peaking\ Capability = WRAP\ QCC - ((0.5 \times (PRM - CR)) \times WRAP\ QCC)$$

Bonneville proposed using the P50 (1:2 year) peak because it aligns with the forecasts that Bonneville's Load Forecasting organization currently provides and is used in planning for Power and Transmission today.

Bonneville proposed adopting the WRAP QCC methodology for determining the peaking capability of non-federal resources because it was established through a regional process. The

WRAP methodology was agreed to by resource owners participating in the WRAP program and has created a common standard for determination of resource capacity based on individual resource types. While the WRAP is voluntary, it established a metric that customers have recommended leveraging for the purpose of peak net requirements.

Bonneville proposed to reduce the WRAP resource QCC value for each dedicated resource to recognize that some of the QCC value is associated with uncertainty of the resource and should therefore not reduce a customer's peak net requirement. Bonneville proposed to adjust resource QCC values by only 50% of the PRM to account for resource uncertainty, and not the load uncertainty. Bonneville chose 50% because it is consistent with Bonneville's current treatment of CR.

Public Comments

NRU generally supported Bonneville's inclusion of peak net requirements. NRU "agree[d] with the approach Bonneville proposes in its draft Policy, and with the intended result of accurately calculating each customer's energy and peak net requirement with the goal of ensuring a fair and equitable capacity allocation and more efficient use of the federal system to serve firm requirements load." POC-031-NRU. Clatskanie recommended that Bonneville clarify the term firm requirements power. Clatskanie "recognize[d] and support[ed] BPA's discretion in implementing a version of PNR" but supported the Planned Product Group's[23] (PPG) proposal. POC-020-Clatskanie.

The PPG proposed a revised peak net requirements calculation that included multiple components. The proposal uses the WRAP forward-showing capacity requirement for peak and WRAP QCC for dedicated resource amounts. The PPG stated that the proposed formula accounts for risk in all forecasts in a manner that is regionally accepted and ensures utilities have sufficient resources during the operating hour to serve both anticipated and unanticipated peak loads. The PPG also requested unique modifications to the individual QCC values of hydro resources to address differences in operational characteristics and constraints. The full proposal is described in the PPG's comment. POC-037-PPG. Grant, Seattle and AWEC commented in support of the PPG proposal. POC-012-Grant; POC-039-Seattle; POC-050-AWEC.

PPC expressed concerns with the proposed peak net requirements calculation. PPC acknowledged that "this issue is important to all customers as it impacts how BPA plans for and potentially charges for capacity needs, and also what WRAP QCC capacity might be considered 'surplus' to customer needs." PPC stated that WRAP definitions may be part of the solution for

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[23] The Planned Product group is comprised of Clark Public Utilities, Clatskanie People's Utility District, Eugene Water and Electric Board, Public Utility District No. 1 of Grant County, Idaho Falls Power, Public Utility District No. 1 of Cowlitz County, Public Utility District No. 1 of Emerald County, Public Utility District No. 1 of Franklin County, Public Utility District No. 1 of Lewis County, Public Utility District No. 1 of Snohomish County, Seattle City Light, and Tacoma Public Utilities.

peak net requirements but including PRM is inherently part of the equation. PPC stated that peak net requirements must "fully account for PRM at some point in the definition and implementation system." PPC "believe[d] that a 'status quo' Slice Product offering without the uncertainty of capacity/flexibility limitations should be the minimum offering in the Provider of Choice policy framework." POC-029-PPC.

Seattle provided significant comments, as well as an addendum to comments, on peak net requirements. Seattle commented that "the proposed peak net requirements methodology does not comport with the regionally adopted WRAP planning standards." Seattle also stated that the proposed peak net requirements methodology does not meet multiple Provider of Choice draft policy goals because the proposed methodology uses 1 in 2 peak loads for the peak planning standards, whereas WRAP "considers adequate resource planning to be 1 in 2 peak load *plus a Planning Reserve Margin adder.*" Finally, Seattle stated that the proposed peak net requirements methodology fails to meet the peak net requirement goals because it is neither durable nor sustainable, does not use standard planning considerations and definitions, and is not agnostic of product choice.

On each of these points, Seattle believes PRM should be accounted for in the peak net requirements calculation and concludes that Bonneville must develop a peak net requirements methodology that plans for adequate resources to meet net firm loads and recommended Bonneville should adopt the peak net requirements proposal outlined in Section 3b of the PPG's comment. POC-039-Seattle.

WPAG commented that "[a]lthough BPA proposes in the Draft Policy to calculate peak net requirements for the next contract for its base products, it provided very little information on how BPA would then apply or use that methodology." WPAG characterized the proposal as a "claw-back" of capacity from Slice/Block customers when such customers have capacity in excess of their calculated peak net requirements. WPAG asserted:

> If BPA still intends to move forward with the claw-back, then to evaluate the proposed calculation customers further need to know (i) what exact circumstances would trigger the claw-back, (ii) how much prior notice will they receive before "excess" capacity is recalled by BPA, and (iii) whether they will be compensated when the claw-back is triggered and, if so, how.

POC-045-WPAG. WPAG asked Bonneville to explain its proposal to use 50% of the PRM rather than providing 100% PRM as a basis for reduction to dedicated resource's QCC values. POC-045-WPAG.

Franklin stated it has significant concerns about the proposed peak net requirements definition and how implementation might affect the viability of planned products. Franklin believed that "BPA must provide a clear policy and factual basis supporting adoption of the methodology." POC-026-Franklin.

The Council commented that Bonneville should "refine the peak net requirements definition to ensure it does not limit WRAP participation or negatively impact resource adequacy." The Council appreciated Bonneville using the WRAP QCC as a starting point for the definition but are concerned with using 50% of the PRM and CR because it could be challenging for a customer to be WRAP-compliant. The Council acknowledged that Bonneville does not assume the planning obligation for planned products but does not believe decrementing 50% of the PRM is consistent with planning principles or supported by NERC guidance. The Council was less concerned with the specifics of the calculation but does not want the peak net requirements calculation to limit a utility's WRAP compliance. POC-025-Council.

Snohomish urged Bonneville to not implement peak net requirements. However, if Bonneville does implement it, Snohomish stated that Bonneville should significantly revise the peak net requirements calculation. Snohomish commented that the calculation must conform with regional load service standards. Snohomish believes the peak net requirements proposal is incomplete because it did not include application to products and the proposal is misaligned with regional planning standards, which result in negative impacts for serving firm loads. POC-033-Snohomish.

E3 stated: "[T]he proposed PNR methodology (1) does not use standard planning considerations, (2) creates the potential for cost shifting among BPA customers, (3) fails to plan for all firm load, (4) does not plan for adequate resources to meet peak loads, and (5) is not durable." E3 recommended that the Policy reflect an updated peak net requirements calculation to adequately plan for resources to meet firm load and be consistent with WRAP's methodology. E3 proposed two methodologies for Bonneville to allocate federal capacity that would allow customers to receive capacity in proportion to the share that they pay of the federal system total capacity related costs, and that would adhere as closely as possible to WRAP's methodologies. E3 also commented that the draft Policy proposed adjustment of QCCs of dedicated resources is not necessary, citing multiple reasons. Finally, if the aggregate customer capacity needs exceed federal system capability, E3 stated that Bonneville should procure additional capacity and direct assign costs to customers with net capacity needs and should consider tiering capacity. POC-018-E3.

Tacoma stated that the proposed peak net requirements methodology "fails to satisfy BPA's statutory obligations. . . and must remove PNR from the POC policy." Tacoma expressed concern regarding how Bonneville would implement peak net requirements, including any restrictions, in the planned products and stated: "This is even more concerning given conflicting statements in formal documents, workshops, discussions, and presentations in PNR task force meetings, and in clarification session with BPA staff SME's and Executives." Tacoma commented that the proposed methodology is flawed because it matches normal peak load with a capacity accreditation that is near maximum capability which is inconsistent with the actual load factor capabilities. Tacoma noted that the WRAP construct is useful for measuring short duration peaking capacity but believes it does not adequately characterize the sustained peaking capacity of Tacoma's hydropower system. POC-042-Tacoma.

Evaluation and Decision

Bonneville appreciates the attention that commenters paid to the calculations around net requirements, or firm power requirements. Bonneville notes that no commenters disagreed with the energy net requirements calculation as proposed in the draft Policy. The acceptance of the proposed energy calculation is likely because Bonneville implemented a similar calculation under current Regional Dialogue contracts and prior contracts. Bonneville has taken this approach since the section 5(b) requirement was enacted in the Northwest Power Act. Bonneville will calculate energy net requirements as proposed in the draft Policy.

Commenters focus their concerns on the peak net requirements calculation, which addresses customer contribution of peaking resources as mentioned in section 5(b) of the Northwest Power Act. Bonneville previously received information on customers' resource(s) peaking capability under the 1981 power sales contracts. Bonneville also included a peak net requirements provision (called "Peak Amount Methodologies") in the Regional Dialogue contract but has not calculated or implemented it. Commenters request that Bonneville reconsider its proposed peak net requirements calculation and further consider how it would implement the calculation. Bonneville addresses comments on how peak net requirements may be implemented for different products in Issue 14. Bonneville will address whether Provider of Choice should include a peak net requirements calculation in this response, and if so, what the calculation will look like.

Tacoma and Snohomish suggest Bonneville should not introduce a peak net requirements calculation during the Provider of Choice contract period. They state that there is no need to implement such a clause under Regional Dialogue and no customer has requested such a clause be put into place. Bonneville believes that it is time to calculate and implement peak net requirements given the resource planning uncertainties and challenges the region is likely to face during the Provider of Choice contract period. The region is forecasting rapid load growth due to electrification and large industrial and commercial end users, along with utilities, seeking to supply power produced by renewable and non-carbon emitting resources. That will affect the generation portfolio serving these increasing loads. At the same time, a greater focus is being placed on capacity needs and resource adequacy. Bonneville believes that understanding the peaking capability of its customers' non-federal resources will become increasingly important if the potential resource constraints develop.

During the Regional Dialogue contract period, Bonneville has not calculated or implemented peak net requirements; however, the Slice/Block and Block contracts include a provision granting Bonneville the right to address the issue if the Administrator determines it is necessary. Bonneville has had enough surplus capacity to meet its obligations during the contract period and has not sought to implement the Regional Dialogue provision.

Bonneville explored, with customers, approaches that might be used to calculate the peaking capability for non-federal resources to include in the peak net requirements calculation both in public workshops and the Peak Net Requirements Task Force. The task force was created specifically to address how to calculate and implement peak net requirements. Those workshop and task force discussions, along with the comments received on the policy proposal, make it clear that there are many different ways to consider capacity. The non-federal resource peaking capability can change depending on the time periods you look at, particularly for hydro resources when factoring in energy constraints. For example, a hydro facility may be able to meet a peak one-hour output but that may not factor in other constraints at the facility such as streamflows or environmental obligations.

Commenters had requested that Bonneville consider an industry standard approach, which led Bonneville to consider the WRAP standards as proposed in the draft Policy. Many of the comments, such as those from WPP and the Council, applauded the fact that Bonneville is starting with the regionally developed WRAP standards. Seattle, along with others, implore Bonneville to use an industry accepted standard but note that Bonneville's proposed adjustments to QCCs was a confusing and ill-advised change to a standard practice. E3 and PPG propose alternative approaches to calculating peak net requirements.

Bonneville appreciates the analysis, thought and effort that went into describing the alternative approaches. However, Bonneville is not convinced that changing the foundation and approach for calculating peak net requirements is necessary. Bonneville was compelled by arguments that state the application of an adjustment was not suited for an industry standard metric. Bonneville changed the peak net requirements calculation to the standard established by WRAP, removing the adjustments to the QCC for resources that had been proposed in the draft Policy. The updated calculation is:

$$\textit{Peak Net Requirements} = \textit{Peak Total Retail Load (TRL)} - \textit{Dedicated Resource Peaking Capability}$$

$$\textit{Or Peak Net Requirements} = \textit{Monthly Peak P50 Load} - \textit{WRAP QCC}$$

Using the WRAP standard with no adjustments addresses the concerns raised that Bonneville's peak net requirements calculations needed to be adjusted to be more in line with industry standards for calculating capacity. As EWEB noted, "WRAP represents the first time that the region has come together with a consistent approach to resource accounting and reliability planning." POC-044-EWEB. Bonneville appreciates the effort that went into developing the WRAP metrics as a standard that can be used to assess peaking capability going forward. Bonneville intends for this decision to be durable over time and if the WRAP metrics were to adjust over time it is Bonneville's expectation that the formulas WRAP uses to calculate QCC would evolve, allowing Bonneville's peak net requirement calculation to retain consistency with WRAP, or its successor. If Bonneville were to become convinced that a new approach to the calculation is necessary, it would update the calculation through a public process.

Bonneville recognizes that the standard application of unadjusted QCC values for the peak net requirements calculation may not be ideal for hydro resources as WRAP does not account for all hydro energy constraints. Bonneville is open to further discussions during the policy implementation and contract development phase to determine if non-federal hydro resources should have additional flexibility to meet their loads in the peak net requirements calculation.

Bonneville updated the Policy to reflect the WRAP standards with no adjustments as the basis for the peak net requirements calculation.

Issue 14: How will Bonneville implement peak net requirements across the products offered in Provider of Choice contracts?

Policy Proposal

Bonneville proposed how to calculate a customer's energy net requirements and peak net requirements in Section 2.1 of the draft Policy. Section 2.1.2 of the draft Policy stated that Bonneville would implement a peak net requirements calculation during the Provider of Choice contract period due to the potential for significant future load growth in the region and anticipated capacity constraints. The draft Policy did not state how Bonneville would apply peak net requirements for each product type.

In the draft Policy, Bonneville acknowledged a need to clearly articulate product design changes resulting from defining the peaking capability of dedicated resources. Bonneville proposed to discuss peak net requirements in the Provider of Choice policy implementation and contract development phase and in the PRDM process to identify and address any rate implications.

Public Comments

Multiple commenters requested that Bonneville clearly state how peak net requirements will impact products. POC-010-Big-Bend; POC-045-WPAG; POC-022-Mason-3; POC-031-NRU; POC-015-McMinnville; POC-018-E3.

Big Bend Electric Cooperative, Inc. (Big Bend) stated that peak net requirements should be a planned product calculation that, when applied, results in a workable product for those electing a planned product. Big Bend expressed that the uncertainty around planned products and peak net requirements implementation causes significant concern and requested clarification that "Load Following customers will continue to have actual net load served on an hourly basis." POC-010-Big-Bend.

WPAG commented that the draft Policy created uncertainty whether Bonneville would meet a Load Following customer's hourly energy and peak net requirements. Because of this uncertainty, WPAG requested that Bonneville clarify how peak net requirements will impact all products. POC-045-WPAG. Mason 3 supported WPAG's comment. POC-022-Mason-3.

NRU commented that it generally supports Bonneville's proposed implementation of peak net requirements but expressed concern that peak net requirements would be used to limit serving a Load Following customer's actual load. POC-031-NRU. NRU and McMinnville requested that the ROD "clearly differentiate between Load Following and Planned products when determining the impacts of its proposed peak net requirements methodology." POC-031-NRU; POC-015-McMinnville. Mason 3 commented in support of NRU's comment and noted that it would be difficult to support peak net requirements when the financial impacts are unknown. POC-022-Mason-3.

Clatskanie requested that Bonneville clarify what it is trying to achieve through implementation of peak net requirements. Clatskanie also stated, "[d]uring the product design and contract development phase we ask BPA to give additional consideration to a more nuanced approach to calculating net requirements where variable and/or limited fuel resources are used to meet customer needs." POC-020-Clatskanie.

AWEC, Tacoma, Seattle and EWEB commented that peak net requirements violates the draft Policy principles and goals. AWEC commented that "AWEC again requests that BPA defer adoption of a PNR methodology until a mechanism is reached that is not opposed by such a diverse set of BPA's customers and end-use customers." POC-050-AWEC. Tacoma commented "[w]e appreciate BPA's proposed principles and goals; however, we fear that BPA's proposed PNR and its implementation are not in line with many of them." POC-042-Tacoma.

Seattle commented "BPA's proposed PNR methodology does not meet BPA's Draft Policy Goal #1 that 'Provider of Choice Policy and contracts are regionally supported', BPA's Draft Policy Goal #5 that 'Contracts support customers meeting national and regional objectives', and BPA's Draft Policy Goal #7 that 'Provider of Choice Policy and contracts build on a long history of stewardship and regional relationships.'" POC-039-Seattle.

Seattle commented that the net effect of peak net requirements "is BPA would be providing Load Following customers with PF service beyond their net requirements, while planned product customers would not be guaranteed PF service up to their PNR," which violates goal #3. Seattle described how they believe the proposed PNR would conflict with regional resource adequacy requirements and thus violate draft Policy goal #4. Further, "[t]he lack of reasonable justification for BPA's proposed PNR methodology makes it inconsistent with BPA's Draft Policy Goal #6 that 'Contracts are administratively straightforward and implementable.'" POC-039-Seattle.

EWEB commented Bonneville's proposed definition of peak net requirements violates goal number one as the proposed definition makes proposed product options less attractive. EWEB argues that the proposed peak net requirements calculation exposes them to risk, which is not an equitable outcome and contrary to goal number two. EWEB also states that the proposed peak net requirements calculation would force more customers to take the Load Following product and thus have difficulty integrating non-federal resources, violating goal number three.

Lastly, EWEB commented that goal number four is violated in that the proposed peak net requirements calculation "could harm customers' ability to participate in regional initiatives, thereby compromising the regional objectives themselves." POC-044-EWEB.

Bonneville's proposal that implementation details would be developed in the policy implementation and contract development phase and in the PRDM process was met with significant pushback by commenters. Multiple commenters requested that Bonneville clearly state how peak net requirements will impact the different products Bonneville planned to offer in Provider of Choice contracts. POC-010-Big-Bend; POC-045-WPAG; POC-022-Mason-3; POC-031-NRU; POC-015-McMinnville; POC-018-E3; POC-044-EWEB; POC-055-Lewis; POC-037-PPG; POC-039-Seattle; POC-042-Tacoma; POC-020-Clatskanie; POC-026-Franklin; POC-012-Grant; POC-033-Snohomish. Snohomish noted that "[t]he current Peak Net Requirements definition and policy framework casts doubt on the viability of Planned Products." Snohomish also noted elsewhere in their comments that they believed the peak net requirements proposal is incomplete because it did not include application to products. POC-033-Snohomish. Similarly, Franklin stated their belief that implementation of net requirements might affect the viability of planned products. POC-026-Franklin. Tacoma underscored their concerns about product implementation, stating: "This is even more concerning given conflicting statements in formal documents, workshops, discussions, and presentations in PNR task force meetings, and in clarification session with BPA staff SME's and Executives." POC-042-Tacoma.

Evaluation and Decision

It is clear from the extent of comments that commenters were concerned about Bonneville implementing peak net requirements across power products. Commenters emphasize a need for peak net requirements implementation details for planned products, which includes the Slice/Block and Block products. Many commenters express that the uncertainty around implementation was limiting their ability to plan for their future load and resource needs. NRU, WPAG, and others' comments ask Bonneville to clearly articulate how peak net requirements would be implemented for Load Following customers and whether it would be used in determining rates.

Bonneville will reflect the peaking capability of customer's dedicated resources, as defined by the peak net requirements calculation, in all Provider of Choice contracts, regardless of product type. Bonneville will require this information be included in contracts just as it will continue to require the energy amounts of non-federal resources be included. Bonneville believes it will be important to regularly report and update this information as WRAP QCC values being used in the peak net requirements calculation are updated regularly, and customers could select to switch products to a product that requires this detail for implementation. This information could also become important for Bonneville's planning in the future as capacity is expected to become more constrained in the region. Bonneville has required customers' resource peaking capability be included in prior section 5(b) contracts and will require its inclusion in the Provider of Choice contracts.

Based on the commenters' feedback, Bonneville believes it is prudent to provide an explanation of how it intends to implement peak net requirements across the products. Bonneville intends to use the framework described in this ROD as a launching point for peak net requirements implementation and product design conversation slated for the policy implementation and contract development phase. Bonneville acknowledges that there are many details to work out in future forums. Bonneville hopes clarifying the framework here will help provide better context as customers engage in these forums.

As Bonneville has contemplated peak net requirements implementation, Bonneville has evolved its thinking on how to approach implementation across products. First, Bonneville will meet a customer's energy net requirements. Bonneville requiring information about the peaking capability of resources will not impact the energy amounts the customer will receive during the Provider of Choice contract period. Bonneville updated the Policy to reflect this commitment. Second, Bonneville does not believe that peak net requirements implementation will include a limit on any product, or as commenters stated, it will not be a call back on capacity. Bonneville believes its proposed peak net requirements implementation, as described below, does not impose a limit on any product based on peak net requirements; rather the provision of capacity is based upon a customer's product choice. If Bonneville and interested parties were to significantly re-design any product or create a new product, it would need to evaluate whether a limit would be needed. Bonneville did not specify implementation details in the Policy and these details need to be finalized through the policy implementation and contract development phase. As such, Bonneville will not include implementation details in the final Policy.

Bonneville believes that the peak net requirements approach outlined in this ROD is consistent with its goals and principles. Bonneville intends that however it ultimately implements peak net requirements, it would continue to be consistent with the Provider of Choice principles and, where possible, meet the goals outlined in the Policy. Bonneville encourages commenters to participate in the policy implementation and contract development phase if they have concerns around the proposed implementation.

Below, Bonneville provides intended peak net requirements implementation for each Provider of Choice product it intends to offer. This ROD does not discuss how peak net requirements may or may not be used in pricing products. The PRDM process and/or subsequent rate proceedings will determine pricing and whether peak net requirements is used as a metric for setting pricing.

Load Following

The Load Following product supplies firm power that meets a customer's peak net requirements. Specifically, the product supplies all the electric power required to meet a customer's net requirements load on an hourly basis, including the hour of the customer's peak load net of its resources. Bonneville will continue to meet the hourly net requirements of Load Following customers with no peak net requirements implication.

Block

The Block product is a flat, or monthly/diurnally shaped, amount of energy with no additional option to increase the energy for capacity needs. Bonneville will continue to set the annual and monthly block amounts by using dedicated resource energy amounts. Bonneville will continue to provide a flat or shaped block of energy and there will be no peak net requirements implication for the Block product.

Block with Shaping Capacity

Bonneville intends to consider three options for the Block with Shaping Capacity option product:

1. Block with Shaping Capacity option up to XX% allows a customer to shape its block product up to XX% in a given month. Bonneville will continue to set block amounts based on dedicated resource energy amounts. Bonneville will not implement a peak net requirement for this option.
2. Block with Shaping Capacity option above XX% up to P50 is directly tied to each customer's forecast monthly P50 peak amount. Bonneville will use the peak net requirements calculation to determine how much additional capacity a customer can access up to its forecasted P50 peak.
3. Block with Shaping Capacity option to P50 plus a peak load variance service. The peak load variance service is an add-on capacity feature offering customers shaping capacity up to their monthly 10th percentiles (P10) forecast. Bonneville will use the peak net requirements calculation to calculate how much additional capacity a customer can access up to its P10 peak, and the product will include the cost of the capacity required to meet the peak load variance.

The PRDM will address the rate parameters for Block with Shaping Capacity option product offerings.

Slice/Block

The slice amounts established by the Slice/Block product are directly tied to the shape of the federal system and not the customer's load. A Slice/Block customer receives an amount of surplus capacity as provided through the slice portion of the product. Bonneville would not implement peak net requirements for the Slice/Block product if the slice portion is limited to 50%, as described below.

Bonneville proposes that the slice shape would continue to reflect the simulated system output with no monthly "call-backs" or limitations. Bonneville believes no "call back" of capacity is needed if the slice portion of the product is limited to no more than 50% of the Slice/Block purchase. A limit on the slice portion of the product to 50% will effectively limit the amount of surplus capacity a Slice/Block customer can access over the term of the contract. Limiting the slice percentage will mitigate Bonneville's concern of providing customers surplus slice at times when Bonneville is capacity constrained or deficit. Bonneville believes that this approach will address commenter concerns around a potential surplus capacity "call back," while allowing Slice/Block customers to assess their long-term planning needs, and to plan for amounts of power for their participation in other regional programs and markets.

Issue 15: Is Bonneville's proposed method to determine the firm peaking capability of customers' non-federal resources (peak net requirements calculation) consistent with Bonneville's statutory obligations?

Policy Proposal

In Section 2.1.2 of the draft Policy, Bonneville explained that due to potential for significant future load growth in the region and anticipated capacity constraints, Bonneville would perform an annual peak net requirements calculation to establish the monthly peaking capability of a customer's dedicated resources. Bonneville proposed to calculate the peak net requirements according to the following formula.

Peak Net Requirements = Peak TRL — Dedicated Resource Peaking Capability

Where Dedicated Resource Peaking Capability

= WRAP QCC – ((0.5 x (PRM-CR)) x WRAP QCC)

Bonneville explained that the peak TRL would be based on a customer's forecast monthly P50 peak hour load and the peaking capability would be based on the WRAP QCC with two adjustments to reflect (1) resource uncertainty included in WRAP's PRM, and (2) Bonneville-supplied CR. The draft Policy noted that the WRAP QCC methodology was designed for short duration events and not sustained operations and stated that "this will be an important factor to consider in the Provider of Choice policy implementation and contract development phase . . ..." Draft Policy § 2.1.2.

Bonneville acknowledged that further work was needed to clearly articulate how peak net requirements would apply to the various products under Provider of Choice, which would unfold through the policy implementation, contract development and PRDM process. Bonneville stated that further, comprehensive conversations would lead to an administratively straightforward approach for implementation of peak net requirements. Bonneville also noted that, with the development of the WRAP and the adoption of generally accepted capacity metrics for use in determining capacity for specific types of resources, that Bonneville would formulate its metric for determining peak net requirements based on the WRAP QCC standards.

Bonneville has consistently explained that the purpose of peak net requirements is to ensure that the contracts comply with section 5(b) of the Northwest Power Act, which requires that

Bonneville evaluate the capability of the firm peaking and energy capabilities of any non-federal resources used by the customer to serve its regional firm power load. In light of potential capacity constraints, it is important that Bonneville have the ability to calculate a customer's peak net requirements to comply with section 5(b) and ensure that Bonneville is not making surplus capacity available to a customer in excess of its peak net requirement at a time when Bonneville needs such capacity to serve its long-term power sales contract obligations.

Public Comments

Seattle commented that the peak net requirements calculation lacks a policy foundation and is inconsistent with Bonneville's prior statutory interpretation because Bonneville would not plan for "adequate resources to meet net firm load" under the proposed calculation. POC-039-Seattle. Tacoma commented that the peak net requirements calculation fails Bonneville's statutory obligation to meet a customer's firm power requirements. Tacoma explained that Bonneville's obligations are "statute-driven, not product driven" and the products Bonneville offers "must implement the statutory obligations BPA owes its customers." Tacoma cited the draft Policy language that Bonneville would "perform [] a net requirements calculation for each requesting customer to determine the amount of federal power the Administrator is obligated to sell regardless of the product a customer selects," and interpreted this to mean that Bonneville will use the calculation as a "gating tool to assess the quantity of power the customer is eligible to purchase." Tacoma continued that the way Bonneville is calculating peak net requirements "intentionally and artificially inflates the capacity of Dedicated Resources by focusing on their very short-term 'peaking' capability." This, Tacoma argued, is the fundamental flaw in the calculation and if implemented, would result in Bonneville not providing sufficient energy to Tacoma. POC-042-Tacoma.

Tacoma explained that the peak net requirements calculation is flawed because a resource's peaking capability measures the ability to deliver power for short intervals but does not consider the resource's sustained peaking capability for a longer duration. Tacoma argued that by not considering the longer intervals, Bonneville overstates the capacity value of a customer's resource and then uses the overstated value to reduce how much power the customer can purchase from Bonneville. In Tacoma's case, they argued this magnifies an existing capacity deficit and by failing to provide sufficient power to meet the firm power requirements of its customers, Tacoma stated that Bonneville is failing to satisfy its statutory obligations. POC-042-Tacoma.

Tacoma commented that Bonneville attempts to solve this statutory failure of the peak net requirements calculation by "erroneously rely[ing] on its offering of a load following product to satisfy its statutory obligations." Tacoma stated that this solution is erroneous because, Tacoma is a NERC-recognized balancing authority and, by policy, Bonneville "has excluded Tacoma Power from purchasing a load following product." POC-042-Tacoma.

Tacoma concluded that because the draft peak net requirements calculation fails to satisfy Bonneville's statutory obligations, Bonneville must remove it from the draft Policy, or develop an "alternative method of implementing a PNR constraint" that meets Bonneville's statutory obligations. POC-042-Tacoma.

WPAG commented that Bonneville is required to offer to sell capacity to a Slice/Block customer to meet its 5(b)(1) obligation. WPAG questioned whether Bonneville would offer a firm capacity amount in months when a customer's peak net requirements exceeds the firm capacity available under its Slice/Block contract and stated: "[f]rom a statutory perspective, this is necessary to meet the balanced duality of BPA's obligation to serve and the customer's right to request under [section] 5(b)(1)." POC-045-WPAG.

The Council encouraged Bonneville to "work with customers on a methodology that is both supportive of WRAP participation for those interested while ensuring consistency with statutory requirements." POC-025-Council.

Evaluation and Decision

Bonneville's inclusion of a peak net requirements calculation is consistent with the Northwest Power Act. Section 5(b)(1) of the Act expressly provides:

> Whenever requested, the Administrator shall offer to sell to each requesting public body and cooperative . . . and to each requesting investor-owned utility electric power to meet the firm power load of such public body, cooperative or investor-owned utility in the Region to the extent that such firm power load exceeds
>
> > (A) the capability of such entity's *firm peaking and energy resources* used in the year prior to December 5, 1980, to serve its firm load in the region, and
> >
> > (B) such other resources as such entity determines, pursuant to contracts under this chapter, will be used to serve its firm load in the region.

16 U.S.C. § 839c(b)(1) (2022) (emphasis added).

Section 5(b)(1) sets in motion notification that a public body, electric cooperative, or an IOU would like to purchase electric power from Bonneville to supply their electric power load in the region to the extent the load is not met by firm energy or peaking energy from the utility's own resources used to serve its load. *Id.* The legislative history of the Northwest Power Act regarding section 5(b) indicates that Bonneville should separately identify and calculate the firm energy capability of a customer's resources applied to its load from the peaking energy capability applied to that load. H.R. Rep. No. 96-976, pt. II at 46 (May 15, 1980). The Northwest Power Act created an obligation on Bonneville to determine the resource capabilities of customers' non-federal resources. The statute does not instruct the Administrator as to how to make that determination, thus leaving it to the Administrator's discretion and the long-standing contract practices and understanding between the Administrator and the customers. *See* S. Rep. No. 96-272, at 26 (June 21, 1979).

Since passage of the Northwest Power Act in 1980, the Administrator's determination of Bonneville's net requirements supply obligation has accounted for the energy capability of a customer's non-federal resource(s) used to supply its regional load, if any. Bonneville previously included a customer's resources' peaking capability in the 1981 contracts. Under the Subscription contract period, there was a reasonable assumption that Bonneville would have surplus capacity available for the duration of those contracts. Therefore, Bonneville determined it was reasonable not to require all customers to include peak resource values in the Subscription contract. Around the same time, with the advent of transmission deregulation and the spot market, many customers requested that Bonneville offer contracts selling fixed block amounts of power and percentage-based portions or slices of generation from the FCRPS. Customers were looking for more flexibility to apply their non-federal resources (including buying and selling power in the spot market) to meet their load as they determined without applying them in a manner set by contract, like what is required if electing the Load Following product. Bonneville developed planned products to meet these requests. Customers assumed greater risk to meet their load recognizing and contractually agreeing that Bonneville's planned product contract offerings do not meet their full net requirements. Bonneville fulfills its section 5(b) obligation by offering the Load Following product, which meets a customer's hourly energy and peak needs net of the customer's non-federal resources.

During the development of the Regional Dialogue contracts, Bonneville acknowledged that internal assessments showed that Bonneville may face capacity shortages during certain periods of the Regional Dialogue contract. As such, Bonneville determined that it was reasonable and necessary to include a peak net requirements provision in its Slice/Block and Block contracts.

Under Regional Dialogue, Bonneville decided to address its peak net requirements under "Peak Amount Methodologies," but did not immediately require customers to provide their resource's peak information. The contracts include a clause specifying that if Bonneville needed to implement peak net requirements restrictions, Bonneville would need to first develop a peaking standard through a public process and then resource peaking amounts would be included in customer contracts. Bonneville's overall capacity supply is based on multiple factors such as its contractual obligations (including load growth), system operations, and integration of non-federal resources. While Bonneville has not implemented this contract provision, capacity may become increasingly constrained during the Provider of Choice contract period. Therefore, Bonneville proposed to include a peak net requirements methodology in the draft Policy.

Tacoma's argument that Bonneville's proposed calculation of resource peaking capabilities fails to meet its firm power obligations is without any basis. Tacoma fails to account for the type of power sales contract it has with Bonneville and the risks and benefits it has assumed. Bonneville's development, negotiation and offer of the Slice/Block contract and attendant products and services Tacoma entered into with Bonneville is reasonable, based on Bonneville's marketing statutes, and in accord with Bonneville's broad contracting authority. Bonneville offered the Slice/Block product to afford customers with more flexibility in the use of their own resources through provision of a planned amount of power rather than a Load Following product. Tacoma argues the calculation "intentionally and artificially inflates the capacity of Dedicated Resources," exacerbates Tacoma's capacity deficit, and therefore Bonneville is failing to meet Tacoma's firm power requirements. Bonneville disagrees. Although the Northwest Power Act requires consideration of a customer's resources peaking capabilities, it does not dictate how Bonneville should calculate that value. Instead, Bonneville has determined a reasonable calculation to apply to customer dedicated resources.

Bonneville proposed to use a regionally accepted methodology to calculate a customer's resources' peaking capability. Bonneville explained that the WRAP QCC methodology would provide a "standardized, regionally supported methodology" to determine a resource's capacity. Bonneville further explained that it would make certain adjustments to the QCC value that would account for (1) resource uncertainty, and (2) customers whose CR are supplied from Bonneville. As described in Issue 13, Bonneville agrees with commenters that using the QCC value without modification is a simpler approach and has updated the Policy accordingly. Using the WRAP QCC methodology, or its successor, to determine a customers' dedicated resources peaking capability is reasonable and meets Bonneville's statutory obligations.

Bonneville stated in the draft Policy that Bonneville would "perform [] a net requirements calculation for each requesting customer to determine the amount of federal power the Administrator is obligated to sell regardless of the product a customer selects." Tacoma states that Bonneville intends to use this information as a "gating tool" and argues that the products Bonneville offers "must implement the statutory obligations BPA owes its customers." Bonneville did not state in the draft Policy how peak net requirements would be implemented under each product. Bonneville indicated that it would collect customer resources' peaking information across all products irrespective of product. That is to say, Bonneville would use the same calculation, regardless of product, to determine a customer's resource peaking contribution. The draft Policy did not address how this would apply to each product and deferred more details to the policy implementation and contract development phase.

Bonneville offers multiple products to serve net requirements load. In the case of the Load Following product, the product follows the customer hourly loads, which is one approach for how Bonneville meets its statutory obligation to offer to sell power to meet a customer's firm power needs net of its resources. Another approach is when Bonneville offers planned products based on a customer's forecasted annual net requirements and then makes available a fixed amount of power. The Block and Slice/Block products offered under Regional Dialogue included a clause that Bonneville was not obligated to supply resources to meet customer load not supplied by its firm power purchase. Neither the Slice/Block nor the Block products fully meet the variations experienced by the customer that result from movement in load and/or resources.

Contrary to WPAG's claim, Bonneville has no statutory obligation to offer to sell firm capacity to planned product customers during times when the amount of power provided under the customer's contract is less than their calculated peak net requirements during a given month. When electing planned products, the customer has more flexibility to manage its non-federal resources and assumes the obligation to meet its load and thus the risk of managing electric power not supplied by Bonneville. Customers considering planned products will need to consider their actual physical non-federal resources and their planned amounts of Bonneville power and determine how to meet the difference in real-time including assessing the availability of power for purchase in the spot market or surplus power from Bonneville. Bonneville's Load Following product meets a customer's energy and peak net requirements after a customer's non-federal resources are accounted for.

Understanding customers' non-federal resource capabilities is an important and critical piece of information that informs both Bonneville and customers of their respective obligations and risks over the course of the power sales contract. In the Regional Dialogue contracts, Slice/Block customers agreed that the firm power received under the agreement was not guaranteed to meet its actual firm power requirements on an hourly, daily, weekly, monthly or annual basis. Issue 14 outlines how Bonneville believes peak net requirements will apply under each product offering.

Finally**,** Tacoma argues that Bonneville still violates its statutory obligations by "erroneously rely[ing] on its offering of a load following product to satisfy its statutory obligations." Tacoma states that this is erroneous when a planned product customer operates as a balancing authority. POC-042-Tacoma. Bonneville responded to this concern in Issue 75.

Bonneville believes it remains reasonable and necessary to include a peak net requirements calculation in the final Policy to ensure that the contracts comply with section 5(b) of the Northwest Power Act.

Issue 16: Should Bonneville commit to a reoccurring process to reevaluate the peak net requirements calculation?

Policy Proposal

In Section 2.1.2 of the draft Policy, Bonneville proposed to calculate peak net requirements annually to establish the monthly peaking capability of a customer's dedicated resources for the purposes of serving net requirements loads. Bonneville did not address reevaluating the peak net requirements calculation itself in the draft Policy.

Public Comments

The PPG recommended that "if implemented, BPA commit to continued examinations of the Peak Net Requirement methodology during continued development and enactment of products, contracts, rates, and the 5(b)9(c) policy to ensure conflicts and unintended consequences do not arise." POC-037-PPG.

Evaluation and Decision

Bonneville stated in the draft Policy that it would calculate both energy and peak net requirements in Provider of Choice contracts. The draft Policy did not address how net requirements, energy or peak, would be implemented nor did it address whether or not Bonneville would reevaluate either calculation during the contract period. PPG requests that Bonneville remain open to reconsidering both the calculation and implementation of peak net requirements in the policy implementation and contract development phase of the process as well as through the contract period.

Bonneville established the net requirements calculations as part of the Policy while leaving details on implementation to the policy implementation and contract development phase. In Issue 14, Bonneville provided, at a foundational level, its intended implementation of peak net requirements by product based on commenters request to provide more detail. But Bonneville noted that implementation details would be formally developed in future discussions, and it is premature to further define contract language or commitments in this ROD. Bonneville is open to exploring whether it should commit to re-examining energy or peak net requirements calculations during the Provider of Choice contract period with interested parties like PPG. Bonneville will work closely with interested parties on contract language that ensures appropriate implementation for energy and peak net requirements and expects these discussions to take place during the policy implementation and contract development phase.

Issue 17: Will peak net requirements limit Bonneville and/or customers' ability to participate in WRAP or day-ahead markets?

Policy Proposal

In the draft Policy, Bonneville did not discuss whether peak net requirements would limit a customer's ability to participate in WRAP or a day-ahead market. The draft Policy (Section 2.1) stated that the Northwest Power Act requires Bonneville, when requested, to offer contracts to meet eligible Pacific Northwest utilities' firm power load net of their resources, otherwise known as a net requirements load. Bonneville proposed that an energy and peak net requirements calculation would be completed for each customer interested in a contract and included a proposed calculation. Section 3.1.2 of the draft Policy also discussed how Bonneville intended to create products that were compatible with day-ahead markets. Section 11.5 of the draft Policy explained Bonneville's need to ensure contracts capture accurate information to meet emerging program needs, like WRAP.

Public Comments

The Council requested that Bonneville "refine the peak net requirements definition to ensure it does not limit WRAP participation or negatively impact resource adequacy." The Council commented it was concerned that the current peak net requirements calculation, including the reduction for CR and PRM, would create a disincentive for participating in the program. The Council did not specify a preferred outcome for the calculation but requested whatever calculation is used that it does not hinder a customer's ability to participate in WRAP. POC-025-Council.

Lewis commented that they "believe any calculation or implementation of PNR should be compatible with resource adequacy planning requirements and ensure customers' ability to serve peak retail loads reliably." POC-055-Lewis.

Franklin expressed concerns about how the proposed peak net requirements calculation would allow products to be compatible with WRAP or day-ahead markets. In particular, Franklin noted that the "proposed Peak Net Requirement limits customer participation in future organized markets, reduces the overall efficiency and value of the market, and puts into question Slice customer and BPA's participation in markets altogether." POC-026-Franklin.

The PPG commented that the peak net requirements calculation, and assumed implementation, would "limit customer participation in future organized markets and reduces overall efficiency and value of the market as a whole." The PPG stated that the current peak net requirements approach is disconnected from WRAP standards and it would leave customers unable to serve their peak loads reliably and therefore they would not meet the requirements necessary to participate in WRAP or a market. The PPG urged Bonneville to consider a peak net requirements calculation and implementation that does not limit a customer's ability to participate in these programs and markets. POC-037-PPG.

Seattle commented that the lack of clarity around product design, including peak net requirements implementation, means that customers "have less certainty and ability to plan and meet resource adequacy." Seattle stated that until there is clarity, customers may delay joining WRAP making it a less effective regional program. POC-039-Seattle.

Tacoma commented that based on their assumption of how peak net requirements would be implemented, it would result in Tacoma being resource inadequate in all months of the year. POC-042-Tacoma.

WPP requested clarity on how peak net requirements would be implemented for planned products. WPP commented that planned product customers had indicated peak net requirements could hinder a customer's ability to become a binding participant. WPP expressed concern about both the potential to hinder a customer's participation and also at which point in time customers will have the information they need to make a decision. POC-021-WPP.

EWEB commented that a PNR calculation that does not align with WRAP or a future day-ahead market requirement could undermine customer participation in those efforts. POC-044-EWEB.

Snohomish commented that "no products should be considered to be market compatible with a PNR framework that leaves them short of the regionally agreed-upon capacity content for market participants." Snohomish requested that any peak net requirements implementation through product design lead to "compatibility with the WRAP program and Product accreditation that results in WRAP compliance." POC-033-Snohomish.

Evaluation and Decision

Bonneville understands that commenters are concerned about how peak net requirements implementation may influence a customer's decision to choose among products. Commenters questioned whether peak net requirements would impact a customer's ability to participate in WRAP or a day-ahead market. In the draft Policy, Bonneville stated that it intends to design its Provider of Choice products to be compatible with day-ahead market designs and that it may need to consider adjustments to its product and service offerings to be compatible with the WRAP. However, Bonneville has never explicitly discussed how either energy or peak net requirements factor into compatibility with WRAP or a day-ahead market.

Section 5(b)(1) of the Northwest Power Act obligates Bonneville to offer a contract for the sale of electric power to a requesting eligible customer to serve its firm power load to the extent that such firm power load exceeds "the capability of such entity's firm peaking and energy resources[.]" The Northwest Power Act does not prescribe how net requirements must feature in the products that Bonneville offers. Bonneville offers a suite of products so that customers can decide which offering best meets their needs considering factors such as their loads and resource portfolios.

As stated in the draft Policy, Bonneville's goal is to design products that are compatible with day-ahead markets and do not hinder compliance with WRAP. Bonneville's contracts and products are designed to supply customers with firm power to meet their retail loads and in the case of the Slice product, may include an advance sale of surplus. A customer's product election should take into consideration the requirements of regional programs such as WRAP and potential emerging markets.

The draft Policy stated: "Bonneville intends to design its Provider of Choice products and contracts to be compatible with day-ahead market designs to ensure the ability of Bonneville and its customers to adapt to the changing energy landscape." Draft Policy § 1.2.2. The calculation of energy or peak net requirements would not limit a customer's ability to participate in emerging markets or regional programs. Bonneville assumes a customer's participation in markets or other regional programs will be based on a combination of their non-federal resources and the product they purchase from Bonneville. Bonneville plans to offer standardized contracts rather than products designed for a customer's individual circumstances, operational planning requirements, resource portfolios, markets or programs they plan to participate in, or risk tolerances. Bonneville believes that the best approach is to offer customers standardized products with various levels of flexibility.

Bonneville's products will not all offer the same guarantee of load service. If a customer elects a planned product, they will purchase a planned amount of power to serve their load that is determined annually based on their expected net requirements. Bonneville will ensure that the planned amount of power is supplied to the customer, which may or may not include some amount of planning obligation. The customer will retain the obligation to plan to meet its hourly, weekly, monthly, and annual load variations. If that customer elects to join the WRAP or a day-ahead market, they would be similarly responsible for meeting any planning obligations required by that program. Ultimately, each customer must decide how they want to serve load and what product they may purchase from Bonneville.

Bonneville will retain its Policy position to design products to be compatible with day-ahead markets and consider adjustments to its products and service offerings in light of the WRAP program.

3.2 Tiered Rate Construct

Section 2.2 of the draft Policy proposed that Bonneville would continue to tier PF rates for sales of firm requirements power under Provider of Choice contracts. The tiered rate construct is an allocation of costs not an allocation of power. The tiered rate design will consist of two tiers of Bonneville's PF power rates applicable to sales of firm requirements power to public body, cooperative, and federal agency customers during the Provider of Choice contract period. The specific terms and provisions of the tiered rates construct will be determined through the development of the PRDM.

Issue 18: Should Bonneville continue to offer tiered rates?

Policy Proposal

In Section 2.2. of the draft Policy, Bonneville proposed to continue to tier PF rates for sales of firm requirements power under the Provider of Choice contracts. While the specific terms of the tiered rates would be determined in the PRDM, Bonneville explained that "[t]he tiered rate design will consist of two tiers of firm requirements power available to be purchased at PF rates."

Public Comments

Bonneville received many comments in support of Bonneville's tiered rates proposal. POC-050-AWEC; POC-020-Clatskanie; POC-044-EWEB; POC-026-Franklin; POC-055-Lewis; POC-022-Mason-3; POC-007-Modern; POC-031-NRU; POC-036-Springfield; POC-042-Tacoma; POC-045-WPAG. However, PNGC stated that several of its key concerns are seemingly past the point of continued negotiation and provided tiered rates as an example but does not go so far as recommending that Bonneville not tier rates. POC-046-PNGC. Raft River Rural Electric Cooperative (Raft River) favors PF Tier 2 rates being cost-based and stated that the additional cost of meeting load growth is worth a higher PF Tier 1 rate. Raft River did not specify if it would favor the cost of all load growth being included in a single rate or if this load growth should be limited to the load growth that occurred during the Regional Dialogue contract period. POC-017-Raft-River.

Evaluation and Decision

Bonneville received overwhelming support to maintain a tiered rate construct that would apply to power sold at PF rates. This support aligned with months of customer discussions that considered and rejected the alternative melded rates approach. Two commenters expressed concerns with the tiered rate construct but did not directly oppose Bonneville's proposal. PNGC's comment, for instance, implies disagreement with the tiered rate construct, but then acknowledges that the time had seemingly passed to move away from a tiered rate construct. Further, PNGC stated that small changes to a tiered rate construct could make a big difference in creating a workable outcome.

Raft River's comment states that the PF Tier 2 rates should be cost-based. As explained more fully in Bonneville's response to Raft River's comment in Issue 95, sales of power subject to PF Tier 2 rates recover cost of additional resources when needed to meet these obligations. PF Tier 2 rates also send price signals intended to induce conservation and reflect comparable prices to power acquisitions, and levelize the cost choice between non-federal resources and Bonneville's cost to supply power to meet load growth, i.e., Above-CHWM load. In any event, Bonneville interprets Raft River's comment as raising concerns with the tiered rates pricing structure rather than a challenge to the tiered rate concept. Based on the general support for tiered rates, Bonneville will continue to use a tiered rate construct for the Provider of Choice contract period. Bonneville will make rate and cost allocation related decisions applicable to the tiered rate construct in the PRDM and/or appropriate future section 7(i) proceedings.

Issue 19: Should Bonneville address rate-related issues in the Policy?

Policy Proposal

In Section 2.2 of the draft Policy, Bonneville proposed to apply a tiered rate design during the term of the Provider of Choice contract period. Bonneville proposed to make rate and cost allocation related decisions in the PRDM. The PRDM would then be used to set rates in future section 7(i) proceedings.

Bonneville explained in Section 1 of the draft Policy that it would conduct, subsequent to this process, a separate process to develop the terms of the PRDM, the replacement rate methodology for the TRM.

> Bonneville will also conduct a process to develop the post-2028 rate design for its public rates — the 2029 Public Rate Design Methodology (PRDM) — that will update and replace the current Tiered Rates Methodology (TRM). This process will include a series of educational workshops to establish baseline knowledge of rates as well as explore potential options for changes to the rate design applicable to

> the Provider of Choice contracts. Bonneville will draft the PRDM with consideration of public input before introducing the methodology in a Northwest Power Act Section 7(i) rate proceeding, likely to run around the time of the BP-26 Rate Case. Bonneville may also consider other policy updates and new or enhanced business systems as needed to support the Provider of Choice contracts.

Draft Policy § 1.

Public Comments

Bonneville received a variety of comments related to rates that are captured here.

Three commenters commented on contract demand quantities (CDQs) and their applicability, or lack thereof, during the contract term. OPALCO requested clarification on cost allocation for use of capacity and stated a concern with using a single point of time to set load shape-related measurements, such as a CDQ. POC-013-OPACLO. PNGC raised similar concerns as OPALCO and indicated a preference for Bonneville to remove the CDQ-like mechanism and charge actual cost for all demand charges. PNGC also stated that capacity and non-federal resource integration costs need to be based on actual costs. POC-046-PNGC. NRU emphasized the importance of CDQs on the amount customers pay for capacity use and seeks significantly more clarity on Bonneville's intent for capacity cost allocation. POC-031-NRU.

McMinnville raised concerns over the rate impact that could be experienced by customers – citing specifically concern around peak net requirements. POC-15-McMinnville.

The Council provides several recommendations for Bonneville's next rate design that include sending the right price signals for non-federal resources, conservation, and demand response. POC-025-Council.

EWEB requested clarification on how firm surplus capacity would be used to provide power at PF Tier 2 rates and how much would be available to meet PRM obligations. EWEB stated that it seems reasonable to have an even split at a price at market or marginal rates. POC-044-EWEB.

NRU also stated that "the distinction between rate design and policy is not always perfectly clear, and so NRU is taking this opportunity to outline our concerns and expectations regarding risk mitigation, financial reserves, and the level of discretion reserved in the Regional Dialogue Contract with respect to the allocation and distribution of any applicable revenue distribution clause ("RDC") funds." POC-031-NRU.

EWEB affirmed that "rates and allocation methodologies should support long-term resource investment to meet growing energy and peaking needs in the region." EWEB added that "the goal of the tiered rates methodology is to protect the value of the FCRPS and create price signals to manage load patterns or invest in new resources" and that the rate design fundamentally recognizes cost causation for both energy and capacity. Further, EWEB commented that capacity prices to serve load in excess of a customer's system allocation should be set at rates equal to marginal/market costs. EWEB also cautioned that any rate discounts need to be carefully applied and evaluated on whether they should be extended through the Provider of Choice contract period. POC-044-EWEB.

Benton Public Utility District (Benton PUD) recommended that Bonneville maintain a two-year rate period given the tremendous uncertainty for both loads and generating resources. POC-051-Benton-PUD.

The Environmental Group stated that Bonneville needs to create rate mechanisms that allow existing and new clean manufacturing to be competitive. POC-054-Environmental-Group. The Labor and Environmental Coalition requested that Bonneville "collaborate with customers to develop a blended 'economic development' rate that supplies firm power from the Federal system for projects that meet economic development and environmental criteria and labor standards for both construction and operations and maintenance." POC-016-Labor-Environmental.

The NLSL Group stated that rates for resource integration products, whether energy shaping service (ESS), variable energy resource balancing service or dispatchable energy resources balancing services, should be cost-based and not duplicative. The NLSL Group also recommended that Power's Unauthorized Increase rate further adapt to changes in the energy landscape and wants Bonneville to develop product pricing that relies on actual data in new markets to better reflect modern practices and the rates reflecting the actual costs for the services being provided. POC-032-NLSL-Group.

WPAG encouraged Bonneville to evaluate with customers "the use of Load Aggregation Point ("LAP") prices and/or other prices as appropriate established in the energy imbalance market or potential day-ahead market to establish the pricing of those BPA products and services that are currently based on a market price index or assess non-cost-based penalties (e.g., [unauthorized increase], ESS, etc.), similar to BPA's recent move to use applicable hourly LAP prices for financial loss returns." POC-045-WPAG.

The AHWM Group[24] sought explicit confirmation that Bonneville will continue to offer non-federal integration service (i.e. RSS) and new resource flattening services (NRFS) for both PF and non-PF eligible load service in the post-2028 era contracts. The AHWM Group commented that

[24] The AHWM Group consists of a coalition of 33 customers with AHWM load. These customers include: Benton PUD, Big Bend Electric Cooperative, Blachly-Lane Electric Cooperative, Central Electric Coop, City of Bonners Ferry, City of Forest Grove, City of Heyburn, City of Richland, Clearwater Power Company, Columbia Basin Electric Cooperative, Columbia Rural Electric Association, Consumers Power Inc, Coos-Curry Electric Cooperative, Emerald PUD, Fall River Rural Electric Cooperative, Flathead Electric Cooperative, Harney Electric Cooperative, Idaho Falls Power, Inland Power and Light Company, Kootenai Electric Cooperative, Lincoln Electric Co-op Inc, Lower Valley Energy Inc, Midstate Electric Cooperative, Inc, Missoula Electric Cooperative, Inc, Northern Lights, Inc, Northern Wasco County PUD, Okanogan County Electric Inc Pacific Northwest Generating Cooperative, Ravalli Electric Cooperative Inc, Surprise Valley Electrification Corp, United Electric Co-op Inc, Vigilante Electric Co-op Inc, Wells Rural Electric Company.

Bonneville's "cost causation approach should be grounded in actual costs incurred instead of the existing theoretical marginal cost approach that BPA implemented under the current Regional Dialogue contract." The AHWM-Group suggested that Bonneville replace the theoretical marginal cost with an actual market price (e.g. California Independent System Operator Western Energy Imbalance Market (WEIM) LAP) to better reflect the true cost of integration services. The AHWM Group noted that it needs to be an hourly metric that reflects the value of the power in the hour assigned. POC-024-AHWM-Group.

Mason 3 requested that Bonneville examine the RSS design and reconsider its financial impact given current and potential market participation and the original intent of the product. POC-022-Mason-3.

Clatskanie stated that it believes it is "important for the Policy to build upon the third foundational tenant and consider the cost/rate impacts should the region transition into a locational marginal pricing structure for resources used to serve customer load directly or via BPA's suite of resource integration services." Clatskanie asked Bonneville to clarify if there will be a pricing difference within the PF Tier 2 rates as applied to load following and planned products. Clatskanie stated its assumption that a PF Tier 2 service absent planning obligations (ex. PRM) will be priced lower than a service including planning obligations. POC-020-Clatskanie.

Evaluation and Decision

Commenters present a wide array of comments pertaining to Bonneville's rates inclusive of, but not limited to, terms related to the PRDM. While the draft Policy proposed to continue to use a tiered rate construct through the Provider of Choice contract period, *see* draft Policy § 2.2, Bonneville will not determine through this process the rate components of that construct, or how it will be implemented through the PRDM or tiered rates. Many of the comments sought additional clarity on certain products or made specific suggestions on various rate features. Bonneville appreciates these perspectives and encourages commenters to raise these rate issues in the appropriate rate forums. Specifically, customers should comment on PF Tier 1 rates, PF Tier 2 rates, or any feature of the PRDM in the ongoing PRDM workshops, which will culminate in a formal hearing under section 7(i) scheduled for the fall of 2024. For comments regarding rate matters not addressed by the PRDM, commenters should raise these issues when Bonneville sets rates for the post-2028 period (i.e., BP-29 Rate Case).

The Environmental Group and the Labor and Environmental Coalition both offer suggestions on different types of rates Bonneville should consider designing as part of the Provider of Choice contracts and PRDM. The Environmental Group requests Bonneville to develop a "blended 'economic development' rate for existing and new clean manufacturing that allows it to be competitive." POC-054-Environmental-Group. The Labor and Environmental Coalition recommends Bonneville create "a mechanism for calculating an electricity rate for existing and new clean manufacturing that allows [those industries] to be competitive." POC-016-Labor-

Environmental. Bonneville sets its rates, including price signals, for its sales of power to customers that purchase power at the wholesale level. Whether Bonneville's customers in turn establish rates to send price signals that either incentivize, subsidize, or induce targeted retail consumer behavior is solely within the authority and control of customers. Thus, Bonneville will not modify the Policy to commit to offer specific types of rates to incentivize certain retail consumers through the general design of Bonneville's wholesale power rates. Bonneville will address issues regarding its specific rate designs and rate types in other forums, such as the PRDM process and section 7(i) proceedings.

Bonneville addressed some commenters' questions in other issues. The AHWM Group's request for integration services is discussed in Issue 43. NRU's comments regarding the priority of surplus in serving load at the Long-Term Tier 2 Rate is discussed in Issue 95.

Bonneville will apply a tiered rate design during the term of the Provider of Choice contract period as described in the draft Policy. As described in the Policy, Bonneville will make rate and cost allocation related decisions in the PRDM and set rates in future section 7(i) proceedings.

3.3 Serving Load

Bonneville addressed how it would serve its contractual load obligations in Section 2.3 of the draft Policy. Bonneville acknowledged that it remains committed to serving loads but that existing resources are finite. The section described how Bonneville plans to track costs associated with resources under the tiered rate construct, including if resource acquisition is required, and how non-federal resources would fit in the tiered rate construct.

Issue 20: Should Bonneville commit to more robust engagement for the Resource Program and resource acquisition?

Policy Proposal

In Section 2.3.2 of the draft Policy, Bonneville explained that the Resource Program will inform its resource acquisition strategy. In the 2024 Resource Program, Bonneville would employ modeling sensitivities to address implications of the Policy on potential future outcomes. Bonneville noted that it would not know its load obligations until Provider of Choice contracts are signed in 2025.

Bonneville did not explicitly address opportunities for stakeholder engagement on issues related to resource acquisition strategy or acquisition decisions in the draft Policy, beyond a reference to the public process required for major resource acquisitions under section 6(c) of the Northwest Power Act. Bonneville also did not specify resource acquisition by rate.

Public Comments

Bonneville received eight comments related to the Resource Program and resource acquisition process. Modern, Klickitat Public Utility District (Klickitat) and the State of Washington (WA)

Department of Commerce requested general clarification on the resource acquisition process, how resource strategy may differ across cost pools, and opportunities for stakeholder engagement in the Resource Program. POC-007-Modern; POC-056-Klickitat; POC-080-WA-DOC.

The Council encouraged Bonneville to work with the Council to optimize Bonneville's use of the existing generation and transmission systems and identify new resources that best fit the existing system and meet future needs. POC-025-Council.

The NWEC Group encouraged Bonneville to ensure "transparent, inclusive and unbiased planning," to more clearly articulate how the planning process informs resource acquisition decisions, and to provide more information in the final Policy regarding how Bonneville will make major resource acquisition decisions. POC-028-NWEC-Group. Similarly, PPC urged Bonneville "to provide specificity on processes, transparency, and customer input for resource acquisition strategy (for both Tier 1 augmentation and Tier 2 service)." PPC noted that its members are interested in engaging with Bonneville on its modeling approaches, assumptions and decision-making processes. POC-029-PPC. NRU commented that it found Bonneville's draft Policy proposal to "develop a resource acquisition strategy that leverages Bonneville's Resource Program" to be insufficient. NRU requested a detailed proposal of how Bonneville will meaningfully engage customers in its resource acquisition strategy decision-making processes. NRU encouraged Bonneville to include a list of elements in the final Policy, including the timing of Resource Programs and resource planning efforts during the Provider of Choice contract period, identification of the key elements for consideration in the Resource Program, and a detailed outline of how Bonneville will meaningfully engage customers in resource acquisition strategy decisions. POC-031-NRU.

Clatskanie recommended Bonneville identify and account for incremental efficiency improvements in the federal system in its planning initiatives. POC-020-Clatskanie.

Klickitat requested that Bonneville collaborate with customers on resource planning and the resource acquisition strategy for PF Tier 2 offerings for Above-CHWM load service. Klickitat would like this collaboration to occur parallel to product design and rate workshops and provide an opportunity for customers to provide their input. POC-056-Klickitat.

Evaluation and Decision

Bonneville will maintain its approach for the Resource Program and resource acquisition proposed in the draft Policy. Bonneville will address the process for stakeholder engagement on issues related to how Bonneville will serve its load obligation or its resource acquisition strategy in other forums. The power sales contracts establish a load obligation for Bonneville but they do not establish how Bonneville will use existing resources or acquire resources to serve that obligation. Bonneville's contract products and services will be an input into the Resource Program and shape Bonneville's approach to resource acquisition.

The Resource Program provides analysis and insight into long-term, least-cost power resource acquisition strategies. It informs whether Bonneville may acquire resources in order to meet its contractual load obligations. The Resource Program is not an operational decision and does not determine how Bonneville will acquire resources; rather it, along with the Council's power plan, guides the development of a resource acquisition strategy and actions to acquire when needed in the future. Bonneville will provide opportunities for public engagement during the development of the 2024 (and subsequent) Resource Programs, as well as opportunities for engagement during any public hearings that Bonneville may conduct for the acquisition of major resources under section 6(c) of the Northwest Power Act.

Klickitat requested Bonneville work on a resource acquisition strategy for PF Tier 2 offerings for Above-CHWM load service. Bonneville will not create a separate process or sub-process within other forums to specifically design a PF Tier 2 resource acquisition strategy. Resource acquisition decisions are driven by Bonneville's need to meet its total supply obligation that includes supply used by utility and federal agency customers to meet their net requirements (retail) load demand in aggregate and other Bonneville contractual and legal obligations. Those decisions are separate and apart from whether and how those costs are allocated to and recovered in a PF Tier 1 rate, a PF Tier 2 rate, or another rate pool. Bonneville will map the costs of any resource acquisitions to rate cost pools through the PRDM and/or subsequent section 7(i) rate proceedings. Bonneville suggests that customers interested in the agency's resource acquisitions and cost allocation participate in Resource Program and PRDM public processes.

Acknowledging that several commenters sought more specific information regarding stakeholder engagement, Bonneville provides the following general timelines of the Provider of Choice process and the Resource Program to highlight how they align. Note that Bonneville did not include a section 6(c) process in this timeline as that process would occur if Bonneville determines a need and proposes to acquire a major resource.

Figure 1: Resource Program Timeline

The timeline above illustrates Bonneville's expectation that its resource acquisition strategy development will be an iterative process. The 2024 Resource Program will provide additional information on potential future outcomes that Bonneville can use to inform development of any strategies for resource acquisitions, but the contours of any strategy will ultimately depend on Bonneville understanding its load service obligation following execution of the Provider of Choice contracts in 2025, which will inform the development of the 2026 Resource Program.

Bonneville will maintain the draft Policy approach and make specific resource acquisition decisions outside of the Resource Program process.

Issue 21: Should Bonneville commit to acquiring certain types of resources in the Policy?

Policy Proposal

In Section 2.3.2 of the draft Policy, Bonneville explained that it would develop a resource acquisition strategy if its firm load obligations exceeded its firm resource capability. That resource acquisition strategy would be informed by Bonneville's Resource Program and would be consistent with the Council's power plan. Bonneville further explained that it would consider a variety of factors in developing a resource acquisition strategy, including load forecasts and shapes, resource profiles and availability, and acquisition timing.

In the draft Policy, Bonneville discussed its approach if augmentation was required. If Bonneville decided to acquire a major resource (having a planned capability greater than 50 average megawatts (aMW) and acquired for a period of greater than five years), it must follow the section 6(c) process prescribed by the Northwest Power Act. Section 6(c) of the Northwest Power Act requires the Administrator to conduct a public process, including hearings, on any Bonneville proposal to acquire a major resource. This process can be time-consuming and complex. Bonneville explained that long-term commitments regarding which party will take on the contractual obligation to serve load—Bonneville or the customer—will be increasingly important if significant load growth in the region occurs.

Bonneville did not commit to acquiring resources in the draft Policy, nor did Bonneville commit to acquiring any specific types of resources. However, Bonneville stated that it would strive to acquire cost-effective carbon-free resources that complement the existing federal system when making resource acquisitions.

Public Comments

WPAG, WA Department of Commerce and Snohomish supported Bonneville's draft Policy goal of acquiring cost-effective carbon-free resources in the event resource acquisition becomes necessary. POC-045-WPAG; POC-080-WA-DOC; POC-033-Snohomish. Snohomish and Seattle advocated for Bonneville to commit to the acquisition of carbon-free resources in the final Policy. POC-033-Snohomish; POC-039-Seattle. WPAG specified it would like to see cost-effective carbon-free acquisitions for all PF rate pools. POC-045-WPAG.

The Confederated Tribes and Bands of the Yakama Nation (Yakama Nation), and WSPWE encouraged Bonneville to give priority to tribally developed and owned energy resources, referencing the tribal preference provisions of the Energy Policy Act of 2005. POC-053-Yakama-

Nation; POC-057-WSPWE. Columbia River Inter-Tribal Fish Commission (CRITFC) supported the Yakama Nation's comments. CRITFC requested that the Policy "reflect the 2022 Energy Vision and follow the recommendations outlined within it" due to Bonneville's "federal trust responsibility." CRITFC provided a number of recommendations in its 2022 Energy Vision including specific resource acquisitions the region should consider. POC-059-CRITFC.

Yakama Nation additionally advocated for Bonneville to acquire power from low-impact and dual-use solar projects, specifically solar facilities developed on marginal land or integrated into irrigation projects. POC-053-Yakama-Nation.

OPALCO commented that "BPA staff have stated their preference for resource acquisitions that are less than 50 aMW and no more than five years of contractual obligation to avoid triggering a more lengthy and complicated public process under 6(c) requirements." OPALCO added that this strategy "eliminates the opportunity to lock in resources with more beneficial economics and leaves customers vulnerable to Tier 2 market forces." OPALCO then stated that, if Bonneville does not intend to acquire longer-term resources, it should offer more flexible Above-CHWM elections. POC-013-OPALCO.

Evaluation and Decision

Bonneville's resource acquisition strategy will be informed by its forecasted total supply obligation and its Resource Program. As mentioned in the draft Policy, Bonneville will acquire resources if its firm obligations exceed its firm resource capability. For the Provider of Choice contract period, Bonneville will not know the amount of load customers will place on Bonneville until customers execute Provider of Choice contracts in 2025 and CHWMs are calculated and finalized in FY 2026 (see Issue 92 for timing of Above-CHWM service elections). Bonneville requires this load service obligation information to determine whether it may need to pursue resource acquisition.

Bonneville developed its Resource Program to evaluate whether and what resource types it may need to acquire to meet its total power supply obligation. The Resource Program examines uncertainty in loads, water supply, natural gas prices, electricity market prices, along with potential cost and availability of energy efficiency, demand response, and generating resources, as well as other information. Bonneville's Resource Program provides inputs for a least-cost portfolio of resources forecast to be available to meet Bonneville's obligations to serve firm power load. Bonneville analyzes this information before making resource acquisition decisions.

If Bonneville were to acquire a major resource, the resource acquisition process would include many additional steps, including completing the section 6(c) process, conducting additional market research, and a potential solicitation or request for resource proposal. Bonneville does not have a preference on how resources are acquired. Bonneville described the section 6(c) process to explain the requirements that it must follow in acquiring major resources. Bonneville proposed that each customer would make a long-term product choice and Above-CHWM service election at the outset of the contract. Customers' product choices and service elections will establish Bonneville's firm power sales contract obligation. Once that obligation is established, Bonneville will assess whether it has a need to acquire resources.

CRITFC suggests Bonneville should follow its 2022 Energy Vision recommendations in the Policy. The Energy Vision is broad and includes 43 recommendations that call for actions by Bonneville, the Council, the Federal Action Agencies for the Columbia River System, state utility commissions, and utilities. In particular, many of the recommendations that would pertain to Bonneville relate to resource acquisitions. To acquire resources Bonneville follows the Northwest Power Act which, since its enactment in 1980, established the Northwest Power and Conservation Council to formulate a regional Power Plan to guide Bonneville when acquiring resources. The Council is composed of governor appointed council members from the states of Washington, Oregon, Idaho, and Montana. The Power Plan is regularly updated and reflects consultation and input from the public, including tribes, customers, and other interested stakeholders. Bonneville also studies on an ongoing basis the availability of resources (types and capability), their cost-effectiveness, and whether on a forecast of Bonneville's contractual supply (load) obligations it has a need to acquire. This study is known as the Resource Program and, like the Council's power plan, is open for public review and input. Prior to making decisions to acquire resources on a long-term basis, including a major resource, Bonneville would rely on its Resource Program and the Council's power plan. Both of these power planning studies adhere to the Northwest Power Act's statutory directives applicable to the Council in formulating the Power Plan and Bonneville's authority pursuant to section 6 of the act to acquire resources. Bonneville is cognizant of recommendations from interested parties that focus on changes to system operations and dam removal. While we understand some parties' interest in recommending changes to system operation, the Provider of Choice policy and the subsequent contracts do not direct the operations of the federal generating system. The 2022 Energy Vision also raises other recommendations for other entities that are also out of scope of this Policy.

Bonneville recognizes that the Energy Policy Act of 2005 grants federal agencies discretionary authority to give preference to the acquisition of tribally owned energy resources. Bonneville interprets that discretion as existing within its broader resource acquisition obligations under the Northwest Power Act. The agency will consider the application of tribal preference when assessing resource acquisitions. Bonneville encourages the commenters and other stakeholders to provide input on specific resource types during Resource Program development and in any public hearings required by section 6(c) of the Northwest Power Act in the event Bonneville proposes a major resource acquisition.

Accordingly, Bonneville will not commit to acquire or prioritize the specific resource types, such as carbon-free resources, tribally owned or developed resources, and low-impact or dual-use resources, in the Policy. Bonneville will maintain the draft Policy goal to "strive to acquire cost-effective carbon-free resources that complement the existing federal system." Draft Policy § 2.3.2.

Issue 22: Should Bonneville amend the Policy to assume a future lower output produced by the four lower Snake River dams or to state its intention to comply with President Biden's September 27, 2023, Memorandum, Restoring Healthy and Abundant Salmon, Steelhead, and Other Native Fish Populations in the Columbia River Basin[25] (President's Memorandum)?

Policy Proposal

In Section 2.3.2 of the draft Policy, Bonneville stated that if its firm power load obligations exceed its firm resource capability, then Bonneville would acquire additional resources to meet that obligation. Bonneville would determine its need to acquire resources by studying load forecasts, resource availability, and projected acquisition timelines. Bonneville would acquire resources leveraging its Resource Program strategy, consistent with guidance from the Council's power plan. Bonneville did not address lower Snake River dam output or the President's Memorandum in the draft Policy.

Public Comments

The environmental form letter commenters requested that the final Policy acknowledge in the emerging landscape section that Bonneville will need to plan for lower energy output from the FCRPS as a result of the President's Memorandum calling for a "sustained national effort to restore healthy and abundant native fish populations." The commenters stated that Bonneville's Policy fails to adequately address changes that will be needed to restore salmon and steelhead. Commenters requested that the final Policy should assume decreased energy output and describe Bonneville's "plans for future resource acquisition to offset and augment current and future federal hydroelectric generation." POC-006-Form-Letter.

Two commenters submitted the form letter but provided text with a contradicting perspective. One explained that salmon levels have been relatively stable over the past 80 years. The second stated they "strongly support maintaining the lower four snake river dams."[26]

The SOS Coalition requested the final Policy outline how it will meet the commitments outlined in the President's Memorandum. The SOS Coalition suggested contracts should facilitate and incentivize customers to reduce their load obligations placed on Bonneville including the development of non-federal renewable and storage resources. POC-077-SOS-Coalition.

Earth Ministry/Washington Interfaith Power and Light (Earth Ministry) commented that Bonneville should honor tribal treaty rights and prioritize wild salmon recovery. They also commented that Bonneville should consider alternative renewable resources as the lower Snake River dams will not be effective generating resources in the future. Earth Ministry also

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[25] The President's Memorandum is available at https://www.govinfo.gov/app/details/DCPD-202300846.
[26] These comments are included in Appendix C to this ROD.

commented that Bonneville's power generation plans must incorporate President Biden's priority to restore fish in the Columbia River Basin. POC-078-Earth-Ministry.

The Nez Perce commented that the Policy should recognize and explain its compliance with the President's Memorandum. The tribe requested that Bonneville amend the policy to "state BPA's intention to comply with the Presidential Memorandum or expressly explain how Bonneville has complied with the Memorandum." POC-081-Nez-Perce.

Idaho Rivers United (IRU) commented that Bonneville should consider the President's Memorandum in the final Policy and "should plan for reduced output (at least 1,000 aMW from the FCRPS at the start of the Provider of Choice contract period." IRU suggested Bonneville reduce its reliance on the hydrosystem and consider other renewable resources. IRU also recommended that "[f]or the public to fully consider the environmental impacts of the Policy, BPA should align the public comment process timeline with the deadlines outlined in the Memo." POC-048-IRU.

Bonneville also received comments from several individuals regarding fish recovery and generation. Commenters Fallow, Toro, Grace Jory, Griffin Jory, Stumme and McFarland requested that the four lower Snake River dams be removed to help endangered Salmon. POC-063-Fallow; POC-064-Toro; POC-066-Jory; POC-067-Jory; POC-068-Stumme; POC-069-McFarland. Murdock commented that Bonneville should "align [its] practices to promote the best possible outcome for the salmon in our rivers." POC-065-Murdock. Davis and Stevens requested that Bonneville (1) operate the hydropower dams to maximize recovery of wild salmon to abundant levels; and (2) responsibly source energy generation from other renewables like solar and wind." POC-070-Davis; POC-071-Stevens. Begley-Collier expressed concern regarding orca whale populations that depend on salmon for food. POC-073-Begley-Collier. Shurgot requested Bonneville consider how to manage its "hydro facilities on the Columbia River for maximum salmon protection." POC-072-Shurgot.

Wireman commented that no contracts should be offered if they include the sale of "below-cost" power from the lower Snake River dams or without commitments to improve water quality and fish survival. Wireman commented to "[s]top wasting public dollars on failed engineering fixes." POC-074-Wireman. Wagner commented that salmon are a keystone species and Bonneville needs to align with federal government policy regarding salmon recovery. POC-075-Wagner. Jaeckel requested that during the next contract negotiations Bonneville should consider options to increase salmon recovery, such as removing the four lower Snake River dams and using alternative renewables. POC-076-Jaeckel. Bray requested Bonneville to protect endangered fish while maintaining long-term reliability of the system. POC-079-Bray.

Evaluation and Decision

Multiple commenters request that the Policy incorporate the President's Memorandum and that Bonneville should market power from the system as if the four lower Snake River dams have been removed and/or no longer produce power to enable salmon recovery.

The President's Memorandum and its policy directive have come at a critical time when Bonneville is establishing its next power marketing policy and therefore will be balanced with Bonneville's statutory power marketing authority and obligations. Bonneville markets the output of the federal system, and in that role, coordinates with the U.S. Army Corp of Engineers and the U.S. Bureau of Reclamation on operations of the federal dams. Further, Bonneville is not statutorily authorized to and has no ability to remove the lower Snake River dams. Congress must authorize the removal or breach of the lower Snake River dams. In the event Congress begins the legislative process to authorize and fund removal or breach of the four lower Snake River dams, Bonneville will consider this in its future loads and resource planning. The Provider of Choice contracts will establish a power supply obligation for Bonneville, but they do not establish how Bonneville will acquire resources to assure it has the resources sufficient to meet that obligation. If Bonneville needs to acquire resources, it will do so pursuant to its statutory authorities and consistent with its Resource Program and the Council's power plan, as explained in Issues 20 and 21.

Commenters also stated that Bonneville should explain in the Policy how it complies with the President's Memorandum and align the public comment period with the deadlines outline in the President's Memorandum. The Provider of Choice Policy does not discuss all of Bonneville's statutory, treaty, regulatory and contractual obligations. Thus, it is not necessary to include a description in the Policy of how Bonneville will be acting consistent with the President's Memorandum. Bonneville's Provider of Choice Policy is not a program "affecting salmon, steelhead, and other native fish populations in the Basin," but rather, it sets the direction for Bonneville's statutory obligation to offer contracts for the sale of electric power pursuant to section 5(b) of the Northwest Power Act. Bonneville addresses its fish and wildlife obligations in other forums. Additionally, Bonneville provided a reasonable period of time for interested parties to submit comments. Bonneville will not reopen the comment period to align with the various timelines outlined in the President's Memorandum.

In response to the comment that no contracts should be offered if they include the sale of "below-cost" power from the lower Snake River dams, Bonneville is, by statute, obligated to set rates based upon Bonneville's total system costs. As such there can be no below-cost power. Bonneville's rates are cost-based and it recovers, in accordance with sound business principles, costs associated with the acquisition, conservation, and transmission of electric power, including the amortization of the federal investment in the FCRPS. *See* 16 U.S.C. § 839e(a)(1) (2022).

Issue 23: Should Bonneville set the amount of power sold at a PF Tier 1 rate for the term of the contract? Should Bonneville change the amount of power sold at a PF Tier 1 rate if there are significant changes to the federal system's capability?

Policy Proposal

In Section 2.3.1 of the draft Policy, Bonneville proposed to set the amount of power a customer is eligible to purchase at a PF Tier 1 rate constant for the duration of the Provider of Choice contract, as determined by the CHWM calculation described in Section 2.4.1, and subject to adjustment pursuant to the subsequent CHWM adjustment categories discussed in Section 2.4.2.

Bonneville explained what would happen if the federal system capability increased or decreased. If the federal system capability increases, Bonneville would use the excess firm capability to meet its other firm power obligations, including sales of power at PF Tier 2 rates, and then any remaining firm inventory would be sold as firm surplus power. If the federal system capability decreases or the amount of power sold at Tier 1 exceeds system capability, Bonneville would acquire additional resources as needed to serve firm load.

Public Comments

Big Bend, Clatskanie, Mason 3, United Electric Co-op, Inc. (United), the AHWM Group, Franklin, PPC, NRU, Snohomish, WPAG, Benton PUD, Lewis, and EWEB supported fixing the amount of power sold at a PF Tier 1 rate for the length of the contract. POC-010-Big-Bend; POC-020-Clatskanie; POC-022-Mason-3; POC-023-United; POC-024-AHWM-Group; POC-026-Franklin; POC-029-PPC; POC-031-NRU; POC-033-Snohomish; POC-045-WPAG; POC-051-Benton-PUD; POC-055-Lewis; POC-044-EWEB.

The AHWM Group and United cited that a fixed amount “provides certainty needed in long-term resource planning and non-federal resource investment decision making.” POC-023-United; POC-024-AHWM-Group. Big Bend commented that the Regional Dialogue approach to changing CHWMs every rate period “has added unnecessary complexity to our planning processes.” POC-010-Big-Bend. NRU supported the proposal, particularly signaling support for the policy’s intent to “provide certainty in the amount of Tier 1 service for the duration of the contract” and eliminate uncertainty for customer resource planning. POC-031-NRU.

EWEB supported the proposal because a “fixed system simplified planning and creates greater certainty for customers on what to expect from BPA.” EWEB also commented that it reduces risk if Bonneville were to reassess its hydro planning and change its approach during Provider of Choice. EWEB highlighted how the shift to P10 from a critical water year created more uncertainty for Slice/Block customers. EWEB expressed that a fixed system would avoid the risk of not knowing how much power will be made available at a PF Tier 1 rate. POC-044-EWEB.

While commenters generally supported Bonneville’s proposal, there were different views on whether Bonneville should provide exceptions if there were major changes in resource capability in the future.

NRU and the AHWM Group supported Bonneville’s proposal to set the amount of power sold at a PF Tier 1 rate and not make any adjustments. NRU explained that this approach provides a stable and dependable amount of power to customers, and the AHWM Group highlighted how the approach supports both federal and non-federal resource planning. NRU urged Bonneville to explore ways to mitigate costs where possible if it acquires resources to serve load at a PF Tier 1 rate. The AHWM Group advocated that any increases in federal system capability should be allocated to serving Above-CHWM load at cost. POC-031-NRU; POC-024-AHWM-Group.

Big Bend supported fixing the amount of power sold at a PF Tier 1 rate but would like the final Policy to address how a fixed PF Tier 1 rate eligibility would be impacted by changes including "the [Council on Environmental Quality] process related to the most recent [environmental impact statement] and FCRPS operations, and the Columbia River Treaty negotiations." POC-010-Big-Bend. Modern did not oppose a set amount of power, but is concerned about how Bonneville will prepare for major changes in federal system output. POC-007-Modern.

Grant advocated that any increases to the federal system capability should increase the amount of power sold at a PF Tier 1 rate whether that comes from the Columbia River Treaty or "opportunities for efficiency improvements at existing sites in the Federal Base System." Grant suggested, however, that for reductions in capability, such as removal of dams, it should trigger an option for customers to reduce their CHWM and opt out of Bonneville acquiring resources. POC-012-Grant. United also supported any firm capability increases being allotted to customers at cost but did not specify if that was at a PF Tier 1 or PF Tier 2 rate. POC-023-United.

PPC advocated for a fixed amount of power available for purchase at PF Tier 1 rates. PPC generally approved of setting that amount at 7,250 aMW, but their position is further defined in comments on the CHWM calculation and how it would be split among customers. PPC advocated for discussions during the policy implementation and contract development workshops on how major changes to system capability would be handled. PPC would like to see enhancements to the federal system dedicated to the Tier 1 cost pool and is concerned in the face of a loss of resource capability about a scenario where it becomes "untenable for a customer to have a take-or-pay obligation." POC-029-PPC.

WPAG supported fixing the amount of power sold at a PF Tier 1 rate; however, they argued in support of mid-contract adjustments to reflect changes in federal system capability. If the federal system capability increases, WPAG argued that all customers should see a proportional increase to their CHWMs. WPAG viewed this as superior to increasing the amount exclusively to the Long-term Tier 2 rate pool and supporting the goal of offering non-federal resource flexibility. If the federal system significantly decreases, WPAG recommended that the PRDM establish a process that would allow customers to weigh in on whether to pursue federal augmentation or reduce CHWMs. POC-045-WPAG.

Mason 3 supported both PPC and WPAG comments on this issue. They also supported using the CHWM calculation to set the amount of power sold at a PF Tier 1 rate. POC-022-Mason-3.

EWEB, Franklin and Lewis also supported Bonneville fixing the amount of power sold at a PF Tier 1 rate at 7,250 aMW rather than setting that amount by the CHWM calculation. POC-044-EWEB. Clatskanie supported this approach as well, but requested that any efficiency gains in the federal system over time should be used to increase the amount of power sold at a PF Tier 1 rate. POC-020-Clatskanie. Both Franklin and Lewis acknowledged that Bonneville should be prepared to make changes to the system and to ensure that customers share the costs and benefits of the system equally. POC-026-Franklin; POC-055-Lewis.

Evaluation and Decision

Bonneville did not receive any comments opposed to the proposal to fix the amount of power sold at a PF Tier 1 rate. Commenters understand the benefit of having a fixed amount of power since it delineates the amount of power they can expect to purchase at a PF Tier 1 rate, which will inform their efforts for non-federal resource planning. Therefore, Bonneville will set constant the amount of power a customer is eligible to purchase at a PF Tier 1 rate for the duration of the contract.

Bonneville considered commenters perspectives on providing more flexibility than a one-time CHWM calculation when fixing the amount of power sold at a PF Tier 1 rate. Several commenters agreed with the agency setting a fixed amount of power with no changes throughout the contract period in order to provide planning stability for customers. With that context, Bonneville must weigh how increases or decreases to federal capability would be addressed in relation to the Tier 1 cost pool.

Bonneville approaches planning for firm load obligations by looking at the sum of its total supply obligations irrespective of rate pools. It then evaluates the firm power it has available from its current resource portfolio, including any contracted power. If Bonneville identifies that there is a need to acquire a resource to meet its obligations, it will develop an acquisition strategy, as supported by its Resource Program, and determine the appropriate resource to acquire. By fixing the amount of power sold at a PF Tier 1 rate for the contract period, Bonneville will have more certainty about its load obligations. The agency would plan for and acquire resources if necessary to accommodate a major system change. If Bonneville can plan for the entire contract period, Bonneville will be more informed about what type of acquisition would be needed, which could result in more advantageous terms. If instead Bonneville must anticipate a mid-point change or a return to rate period determinations for resource acquisitions, it would eliminate some of the certainty in resource planning or force Bonneville to look at shorter-term acquisitions that may result in more expensive purchases and higher costs to customers.

Bonneville will fix the amount of power sold at a PF Tier 1 rate based on the CHWM calculations and will not change the PF Tier 1 amount as a result of changes to the federal system capability.

Issue 24: Should Bonneville ensure that a customer's ability to purchase power at a PF Tier 1 rate is not reduced if they invest in conservation for the Provider of Choice contract period?

Policy Proposal

In the draft Policy, Bonneville did not discuss how a customer's CHWM, and its corresponding eligibility to purchase power at a PF Tier 1 rate, would be impacted by achievements in energy conservation savings during the contract period.

Public Comments

WPAG requested that Bonneville affirm that any investments in energy efficiency would allow a customer to reduce its take-or-pay obligation during the Provider of Choice contract period. WPAG commented that extending this Regional Dialogue Policy will support energy efficiency as a favored resource in planning and help meet regional obligations. POC-045-WPAG.

Evaluation and Decision

Bonneville will maintain the practice of accounting for energy efficiency/conservation savings achieved through either Bonneville's Energy Conservation Agreements (ECAs) or customer self-funded measures in determining a customer's net requirements under Provider of Choice. Because conservation is a resource that operates to reduce the electric demand of the customer's retail load, its achievement is reflected in the customer's net requirements load. For example, if a customer implements conservation measures that reduce its load to at or below its CHWM, the customer's purchase obligation would be reduced and result in a lower take-or-pay obligation for power priced at a PF Tier 1 rate. Such a customer would not be able to purchase power in excess of their net requirements, which may result in CHWM headroom because the customer would not lose CHWM because of its conservation achievements.

For a customer with Above-CHWM load, achieving conservation would help to reduce the customer's exposure to purchasing firm requirements power sold at a PF Tier 2 rate and/or supplying its load needs with potentially higher cost non-federal resources. For such a customer, it would not reduce their take-or-pay obligation for power sold at a PF Tier 1 rate unless their conservation reduced their load below their CHWM.

Issue 25: Should Bonneville offer contracts under which customers agree to waive their section 6(h) right to request billing credits?

Policy Proposal

Bonneville proposed, in Section 2.3.2.1 of the draft Policy, to include a provision in the Provider of Choice contracts under which customers agree to waive their ability to request billing credits for both non-federal resources and conservation. Bonneville and customers agreed upon this approach in the Regional Dialogue contract. Bonneville and customers agreed that allowing billing credits was antithetical to tiered rates because billing credits effectively allow non-federal resources costs to be recovered through the PF Tier 1 rates. Bonneville allowing for billing credit costs to be included in the PF Tier 1 rates would effectively result in the cost of some customer resources being socialized among all customers when the purpose of tiered rates is to provide customer autonomy with respect to other customers' non-federal resource acquisitions.

Public Comments

NRU commented that it had no objection to the proposal. POC-031-NRU. However, PNGC asserted that waiving their statutory right to billing credits should not be required under the Provider of Choice contract. PNGC commented that Bonneville had previously requested for customers to waive their right to billing credits because Bonneville was not acquiring resources. PNGC believes that Bonneville could conduct a request for offer (RFO) to establish a competitive value for a resource acquisition and then map billing credits to appropriate cost pools. PNGC concluded that a billing credit for a Tier 2 cost pool is no different than Bonneville acquiring a resource. Alternatively, PNGC commented that Bonneville could use the average price of energy and capacity sales and no RFO would be needed. POC-046-PNGC.

Seattle commented that it is "reluctant to waive its right to request billing credits" due to the uncertainty around the next contract period. Seattle contended that billing credits could potentially offer a valuable incentive and they would go through a resource acquisition process where Bonneville could decide whether to grant the billing credit if it is cost effective. Seattle requested that Bonneville retain billing credits as an option under the final Provider of Choice policy as "one way to encourage customers' investments in energy efficiency and development of non-federal resources." POC-039-Seattle.

Evaluation and Decision

Section 6(h) of the Northwest Power Act authorizes Bonneville, if requested by a customer, to grant billing credits for certain costs incurred by the customer for activities they independently undertake to conserve or develop resources, completed or acquired after December 5, 1980, that reduce Bonneville's load obligation. Under Regional Dialogue, which was Bonneville's first adoption of the tiered rate construct, customers agreed to contractually waive their statutory right to request billing credits for non-federal resources; the parties broadly agreed billing credits are misaligned with the tiered rate construct. During Provider of Choice workshops, Bonneville expressed concern that allowing the cost of billing credits into the PF Tier 1 rate cost pool would undermine a foundational tenet of tiered rates. In addition, Bonneville anticipates that the value of resource characteristics, including environmental attributes, energy shape, location and capacity availability, will increase in the future. Therefore, implementing billing credits and socializing the cost of any customer resources could become at odds with other customer preferences for resource acquisitions.

Under tiered rates, Bonneville adopted a tenet to insulate one customer from another customer's non-federal resource decisions. If Bonneville offers billing credits, the costs of billing credits based on one customer's resource investment would be included in Bonneville's rates and recovered from Bonneville's firm power customers. Bonneville could allocate the cost to either the PF Tier 1 rate cost pool or an applicable PF Tier 2 rate cost pool. Section 7(g) provides that the cost of billing credits be equitably allocated to power rates. If allocated to the PF Tier 1 cost pool, it could result in an increase in the applicable PF rate regardless of whether Bonneville had a need to acquire resources to serve load at that rate. If billing credits were allocated to a limited PF Tier 2 cost pool, it would place the burden of paying those costs on a more limited group of customers. In either case, the effect would be to recover costs incurred by a customer to independently undertake conservation and non-federal resource actions to serve its load growth from other customers. This would be inapposite to the tenet of insulating customers from other customers' non-federal resource investment choices underlying the Policy, power sales contracts, and tiered rate construct.

Bonneville proposed in the draft Policy that if it needed to acquire resource(s) on a long-term basis, it would issue an RFO. Through an RFO, Bonneville could describe characteristics of resources that would best meet its need—such as generation profile, proximity to load, and reduction to transmission constraints—and could then consider giving preference to public customer developed or sponsored non-federal resources. Under this scenario, a customer would respond and submit its resource to an RFO for full transparency and, if selected and acquired, that resource would be included in Bonneville's resource portfolio used to meet its customer firm power load obligations. Bonneville believes this approach provides the most transparency and provides flexibility to ensure requirements, such as load shape or environmental attributes, can change throughout the contract period as regional sentiments or needs change.

Finally, billing credits were originally included in the Northwest Power Act to incentivize customers to develop conservation and other resources independently of Bonneville. Today there are several regional laws that require investments in conservation measures or provide incentives for conservation improvements. For non-federal resource development, the Inflation Reduction Act is an example of how new funding opportunities and incentives have evolved for utilities to pursue non-federal resource development. In light of these developments, Bonneville disagrees with commenters that waiving statutory right to billing credits would limit a customer's ability to invest in conservation or non-federal resources. Instead, customers have the option to purchase or develop non-federal resources without cost impacts on other customers.

Bonneville also acknowledges that customers are entitled to participate in billing credits and cannot be forced to waive their rights to do so. However, Bonneville is not forcing customers to waive their right to billing credits; rather Bonneville is affording customers a choice. Customers may elect to sign a Provider of Choice contract based on tiered rates and agree not to request billing credits, which includes greater pricing certainty afforded by tiered rates. Alternatively, customers could retain their rights to billing credits, and receive a different power sales contract, one not predicated on tiered rates and the other beneficial features of the Provider of Choice contract. The reasoning Bonneville described in the Regional Dialogue Contract ROD regarding billing credits is equally applicable to the treatment of billing credits under Provider of Choice: "for contracts structured around the discretionary construct of tiered rates, it is reasonable to have a contract provision under which customers agree to not request new billing credits during the term of the contracts since billing credits would defeat or frustrate the tiered rates pricing signals by shifting the cost of such credits onto other customers." Regional Dialogue Contract ROD at 29. It remains reasonable for Bonneville to include terms in the Provider of Choice contracts whereby a customer agrees to not request new billing credits as these would frustrate the purpose of tiered rates.

As described in the draft Policy, Bonneville will include terms in the Provider of Choice contracts requesting customers to waive their rights to billing credits.

Issue 26: How will Bonneville define new and existing resources in the Provider of Choice contracts, and how will it apply each resource type?

Policy Proposal

In Section 2.3.3.4 of the draft Policy, Bonneville stated that it anticipates proposing specific changes to the 5(b)9(c) Policy to reflect the transition from Regional Dialogue to the Provider of Choice Policy and contracts. These changes would be addressed in a separate public process. Two examples of anticipated updates include: 1) specifying that resources considered "New Resources" under Regional Dialogue will be considered "existing resources" for Provider of Choice, and 2) considerations resulting from Bonneville's decisions on WRAP and emerging markets."

Public Comments

Peninsula Light Company (Peninsula), Benton REA, and NRU requested specific definitions of new and existing resources. POC-019-Peninsula; POC-009-Benton-REA; POC-031-NRU.

Peninsula and Benton REA advocated for all new resources that were dedicated to loads during Regional Dialogue to maintain their status as new resources under the Provider of Choice contracts. POC-019-Peninsula; POC-009-Benton-REA. Peninsula requested that Bonneville keep "new, specified, dedicated resources that were integrated during the [Regional Dialogue] contract, designated as new resources in the [Provider of Choice] contract. Only in this way will customers be kept whole and not harmed at the outset, and for the duration of the next 16 years of power deliveries." POC-019-Peninsula.

Benton REA commented that the shift of resources from new to existing resources "requires utility resources that have been acquired to be allocated to serve what was historically Tier 1 load at a much higher cost instead of being used to serve Tier 2 or AHWM load as originally intended. This essentially penalizes utilities that have made significant investments in resource acquisition." Benton REA also commented that they feel this re-classifying of resources "precludes utilities from engaging in resource development and acquisition prior to the beginning of the Provider of Choice contract and would certainly result in a reduction or total elimination of the many federal incentives available for renewable resource development today." Benton REA suggested that Bonneville "should adjust these provisions to provide equal opportunity for non-federal resource acquisitions with equal treatment between the Regional Dialogue contract and the Provider of Choice contract." POC-009-Benton-REA.

NRU also requested that Bonneville clarify "how both 'new' and 'existing' resources will be defined under the policy, and how customers can expect they will be treated in subsequent contracts." NRU requested that "Bonneville include clarifying language in both the Provider of Choice policy and updated 5(b)9(c) policy that ensures customers will not be financially harmed with respect to their CHWM calculation, and thus their Tier 1 eligibility, during the term of the Provider of Choice contract or in future contracts, due to the decision to integrate non-federal resources to serve their AHWM load needs." POC-031-NRU.

Evaluation and Decision

As explained in the draft Policy, Bonneville anticipates proposing specific changes to the 5(b)9(c) Policy to reflect the transition from Regional Dialogue to the Provider of Choice contracts. During the policy implementation and contract development phase, Bonneville will develop new and existing resource definitions, as well as details on how they will be applied to load. Bonneville believes that it is important to articulate its statutory authorities and discuss these definitions with interested parties in the 5(b)9(c) process.

Bonneville will not address how new or existing resources will be factored into any subsequent power sales contracts in the Provider of Choice Policy. If Bonneville maintains the tiered rates construct after the Provider of Choice contracts expire, future policies will address the treatment of new and existing resources.

Issue 27: Should Bonneville describe how a proposed 5(b)9(c) Policy update may impact net requirements or cost implications across products?

Policy Proposal

Section 2.3.3.4 of the draft Policy stated that Bonneville anticipated proposing changes to the 5(b)9(c) Policy to reflect the transition from Regional Dialogue to the Provider of Choice Policy and contracts. Bonneville included the example that it must consider changes resulting from Bonneville's decisions on WRAP and emerging markets.

Public Comments

NRU commented that Bonneville should consider policy interdependencies when updating the 5(b)9(c) Policy. NRU noted that these interdependencies include:

1. WRAP-qualifying capacity contribution ("QCC") calculations, WRAP compliance, and any related costs/penalties associated with compliance or failure to comply, especially as it pertains to the Load Following product.

2. For customers with dedicated non-federal resources in excess of their AHWM exposure, how temporary resource removal will work with a static customer CHWM and fixed system size for the term of the contract.
3. Preference customer need for clarity and certainty regarding the impact of integrating non-federal resources during the Provider of Choice contract without sacrificing Tier 1 CHWM eligibility in future contracts.
4. Relatedly, as part of the upcoming 5(b)9(c) update, Bonneville must also update the requirements for resource removal to more effectively balance Bonneville's obligation to promote the development and integration of non-federal resources with the statutory language in section 5(b)(1). POC-031-NRU.

Benton REA made a similar comment asserting that Bonneville has a "statutory obligation to promote the development and integration of non-federal resources." POC-009-Benton-REA.

Evaluation and Decision

Bonneville appreciates NRU's comments and understands the concerns about the many pending decisions on non-federal resources and how those decisions may result in different outcomes for other policy considerations. Many non-federal resource issues and decisions will be discussed during the policy implementation and contract development phase, including WRAP compliance, temporary resource removal, and permanent resource removal. In addition, Bonneville will hold discussions about the updates it is proposing on the 5(b)9(c) Policy. Commenters are encouraged to participate in these meetings and share their concerns and ideas. Bonneville will not address specific changes to the 5(b)9(c) Policy or speculative concerns in the Policy.

Issue 28: Should Bonneville allow customers to use market purchases to serve Above-CHWM load?

Policy Proposal

In the draft Policy, Bonneville did not address customers' non-federal resource choices if they elected the Flexible Above-CHWM Path to serve their Above-CHWM load.

Public Comments

The AHWM Group commented that market purchases are a critical component of building a cost-effective non-federal resource base and the Policy should provide equal treatment for customer use of non-federal resources to serve Above-CHWM load. The AHWM Group explained that the draft Policy "treats market purchases like any other resource when the agency facilitates the acquisition; however, customers are not supposed to rely on market purchases for AHWM load service." The AHWM Group further commented that "[c]ustomers must retain the ability to use market purchase at times to meet load, because actual demand-supply balance almost never perfectly correlate, and markets are relied upon as the marginal resource." POC-024-AHWM-Group.

Evaluation and Decision

Bonneville appreciates the opportunity to clarify its perspectives regarding market purchases for serving Above-CHWM load. Bonneville recognizes that preserving a customer's ability to choose how to serve Above-CHWM load is one of the foundational tenets of tiered rates. The agency does not intend to preclude customers from using market purchases to serve their Above-CHWM load. In the future, the region may face energy landscape changes that affect how resources such as market purchases should be considered in the context of economical, efficient and reliable load service. Bonneville will continue to assess how industry developments such as emerging markets and WRAP may impact non-federal resource requirements for energy and capacity to ensure that non-federal resources will serve load and meet planning requirements. Bonneville may consider different treatment for specified versus unspecified market purchases based on the potential of non-federal resource impacts to affect Bonneville's operations and planning to supply energy and capacity to its customers. Bonneville will discuss non-federal resource choices and associated contract terms during the policy implementation and contract development phase. Bonneville will not make any changes to its Policy proposal.

Issue 29: Should Bonneville partner with tribal, state and public utility customers, and/or provide seed money, to proactively seek out federal funding for clean energy projects?

Policy Proposal

In the draft Policy, Bonneville did not address whether it would partner with other entities to proactively seek out federal funding opportunities for clean energy projects, and did not propose to provide seed funding to such entities for purposes of non-federal resource development.

Public Comments

The Environmental Group urged Bonneville to actively seek out federal funding opportunities to support the region's energy transition, including but not limited to providing "seed money" from Bonneville's borrowing authority. The Environmental Group commented that Bonneville should seek to be the same pro-active partner as it was for the Smart Grid Project and with the 2009 American Recovery and Reinvestment Act funding. The group suggested that Bonneville should "proactively seek out federal funding to support the region's energy transition" and that "partnerships with tribal, state, and public utility governments can greatly increase clean energy project bids for federal funding." POC-054-Environmental-Group.

The NWEC Group commented that Bonneville should "ensure that its contract terms facilitate and support customers' ability to access federal and state incentives for renewable energy,

energy storage, and customer-side resources like energy efficiency." The NWEC Group requested that Bonneville complete a review of any "barriers or disincentives" in the final Policy. POC-028-NWEC-Group.

Evaluation and Decision

Bonneville encourages tribes, states, and public utilities to take advantage of opportunities to receive funding for non-federal resource development under the Bipartisan Infrastructure Law and Inflation Reduction Act. Bonneville will not commit in this Policy to partner with entities to bid for funding from any federal program nor will it create a seed funding opportunity because the Policy concerns contracts that will be effective on October 1, 2028.

While this is not the appropriate forum to address potential funding for energy infrastructure developments, Bonneville has committed to provide customers new flexibilities for adding non-federal resources under Provider of Choice contracts that were not offered under Regional Dialogue. Bonneville discusses these flexibilities in in Section 2.3.3.1 and Section 2.3.3.2 of the Policy. These flexibilities are designed to allow customers greater ability to develop and apply non-federal resources. Bonneville will work with its customers in the policy implementation and contract development phase to determine more details regarding non-federal resource integration during the Provider of Choice contract period.

Bonneville will not review perceived barriers or disincentives to customers investing in non-federal resources in the final Policy. Bonneville invites customers to raise any concerns regarding barriers to resource development during the policy implementation and contract development phase when Bonneville develops contract provisions addressing customer non-federal resources.

Issue 30: Should Bonneville document a policy approach for large, utility scale batteries used to serve customer loads under the Provider of Choice contracts?

Policy Proposal

Bonneville did not address customer use of batteries in the draft Policy.

Public Comments

PPC commented that "[t]he contract development and rate design for the Provider of Choice period must carefully consider implications for capacity and storage resources in order to take advantage of potential costs and reliability benefits." PPC suggested that a "clear policy regarding storage and capacity resources will allow customers and BPA to take advantage of available incentives to develop the most beneficial power and transmission portfolio." POC-029-PPC.

Snohomish proposed continuation of what it describes as Bonneville's de facto policy framework for storage resources. Snohomish described how "[u]nder Regional Dialogue, standalone storage resources connected to a customer's distribution system do not reduce CHWM or net requirements amounts, but rather serve to reshape customer load into a more efficient profile from both a power and transmission perspective." Snohomish suggested that "BPA should formalize and continue this policy in order to create an incentive framework for the development of standalone energy storage connected to customer distribution systems in order to reduce BPA resource acquisition and transmission costs agency-wide." POC-033-Snohomish.

PNGC and OPALCO both commented that Bonneville's policy should be clear that batteries should not be treated as resources but should be treated as offsets to load and not be subject to RSS charges or other generation integration costs. PNGC and OPALCO opined that given the growing reliance on battery technology to serve load reliably, as well as the significant cost associated with such investments, customers need some assurance this policy will continue. POC-046-PNGC; POC-013-OPALCO.

Evaluation and Decision

Several commenters advocated that Bonneville should establish a policy for the treatment of batteries, and suggested they be treated as demand-side management facilities rather than as resources and therefore not be subject to RSS or generator integration charges.

To date, Bonneville has addressed battery issues on a case-by-case basis. Bonneville is aware of only a few power customers that have installed and use batteries behind their meters. Bonneville's understanding is that these batteries are used in part to reshape energy uses for internal operating and distribution purposes, for managing power costs, or both.

Bonneville recognizes that utilities are increasingly employing batteries for managing electric service. Customers may decide to use batteries for purposes such as assuring reliability of service, or helping to meet capacity needs particularly in combination with variable, non-carbon-emitting resources.

As utility scale battery technology grows and the cost of batteries becomes more affordable, Bonneville expects that many power customers will want to use them for these reasons. Therefore, Bonneville understands it is reasonable for customers to ask for clarification on its policies regarding batteries.

Bonneville has updated the Policy to recognize that batteries treated as behind-the-meter storage facilities may not affect customer CHWM or net requirements. Beyond that clarification, Bonneville's policy implementation and contract development phase is the best forum in which to establish the terms and conditions for utility-scale batteries and other storage facilities. In that phase, Bonneville will discuss details for documenting battery and storage facility specifications, such as nameplate capacities and storage capabilities, sources of charging, technology types, discharge rates, and expected uses. If necessary, Bonneville may address charges related to battery and other storage facilities in the PRDM and/or section 7(i) rate proceedings.

Issue 31: Should Bonneville offer the PF Tier 1 non-federal resource allowance as proposed?

Policy Proposal

In Section 2.3.3.1 of the draft Policy, Bonneville proposed an allowance for customers to add up to 5 megawatt (MW) nameplate or 50% of their CHWM, whichever is less, of qualifying non-federal resources that would offset load otherwise served by Bonneville at a PF Tier 1 rate. Bonneville refers to this as the non-federal resource allowance.

Public Comments

Many commenters supported Bonneville's inclusion of a PF Tier 1 non-federal resource allowance in the draft Policy. POC-055-Lewis; POC-001-Inland; POC-007-Modern; POC-025-Council; POC-029-PPC; POC-050-AWEC; POC-020-Clatskanie. Most of the commenters requested Bonneville alter the parameters of the allowance to broaden its applicability.

The Council commented in support of the allowance but advocated for narrowing it to those resources that Bonneville "determines to be consistent with [its] comprehensive strategy and the Council's power plan." POC-025-Council.

Several commenters requested that Bonneville base the non-federal resource allowance cap on system output or expected generation rather than nameplate. POC-050-AWEC; POC-013-OPALCO; POC-046-PNGC; POC-031-NRU; POC-022-Mason-3. OPALCO and PNGC commented that the exemption should be based on system output, or if not, then the limit should be raised. POC-013-OPALCO; POC-046-PNGC. Several commenters expressed that the variable output and low-capacity factors of resources the non-federal resource allowance is intended to incentivize requires sizing a resource by nameplate capacity and is therefore unduly punitive. POC-050-AWEC; POC-013-OPALCO; POC-046-PNGC; POC-031-NRU. NRU commented that, in any case, the Policy should clarify that the requirement of a qualifying resource is 5 MW alternating current. POC-031-NRU.

Some commenters advocated for no limit on the allowance or commented that the 5 MW allowance is too restrictive. POC-030-ICL-CRK; POC-016-Labor-Environmental; POC-033-Snohomish. Snohomish commented that the non-federal resource allowance was not meaningful and offered proposed revisions that included a higher limit. Snohomish proposed that the allowance apply up to 15% of a customer's total retail load or 50% of CHWM, whichever is less. POC-033-Snohomish. The AHWM Group suggested that the non-federal resource allowance should be scalable based on utility size. POC-024-AHWM-Group. AWEC commented that, for new resources with a nameplate capacity greater than 5 MW, Bonneville should apply the allowance to the first 5 MW of the resource. POC-050-AWEC.

ICL and CRK commented in opposition and requested that "BPA remove its 'non-federal resource allowance' on its customers or significantly raise the upper limit of the allowance to permit customers to develop more resources while retaining the ability to purchase BPA power as needed." They argued that the non-federal resource allowance is a disincentive for customers to access federal incentives and funding programs and the agency should identify and eliminate such barriers. POC-030-ICL-CRK.

Evaluation and Decision

Bonneville appreciates commenters different perspectives regarding the proposed non-federal resource allowance. Several commenters support the additional non-federal resource flexibility that the allowance provides. However, several commenters request Bonneville to broaden the applicability of the allowance. Specifically, they suggest Bonneville increase the 5 MW nameplate threshold or consider using actual generation rather than nameplate to determine whether a resource qualifies for the allowance.

Under Regional Dialogue, Bonneville limited the ability for customers to add non-federal resources that reduce or displace the firm power they are obligated to purchase at the PF Tier 1 rate. However, customers have the ability to choose how they serve their load growth, i.e., Above-CHWM load by electing the use of non-federal resources, or firm power from Bonneville; or a combination of both. Customers are able to make independent resource elections to serve load growth, which in some cases enables them to meet state-mandated renewable portfolio standards and/or position themselves to meet similar requirements.

In Provider of Choice, Bonneville recognizes that some states in the region have enacted laws aimed at reducing carbon emissions and dependence on fossil fueled resources. In addition, clean energy policy directives are developing at both the state and federal level. Bonneville is aware that many of its utility customers must comply with such laws and policies and therefore Bonneville does not intend to create contractual barriers that would impede such customers from meeting them. To that end, the non-federal resource allowance aims to enable Bonneville customers to meet such requirements.

At the same time, Bonneville recognizes that allowing customers contractual flexibility to add new non-federal resources and reduce Bonneville load served at a PF Tier 1 rate may result in rate pressure as Bonneville would have a smaller load obligation from which to recover the costs of the Tier 1 cost pool. Bonneville analyzed expected cost shifts that may result from increased flexibility for customers to add non-federal resources based on assumptions relating to Bonneville's PF Tier 1 rates versus a range of Mid-Columbia trading hub market prices, as well as the anticipated number of non-federal resource additions. Bonneville also considered operational risks, especially with variable resources such as wind and solar, which could impact operations of the federal system. Based on this analysis, Bonneville concluded that the 5 MW threshold presented an acceptable level of cost and operational risks balanced with the benefits for customers of added flexibility.

Regarding the use of nameplate, Bonneville's power and transmission contracts use nameplate for resource thresholds, which is an industry standard and provides a known, maximum amount of generation for each resource. Whereas nameplate is an objective and verifiable measurement, expected output depends on many variables sometimes unknown in advance of generation, for example, weather, reliability of equipment, and actual resource output. The forecasted output of the resource generation would depend on how it is produced, and it would be difficult to develop a standard metric for resource thresholds in Bonneville's contracts because of the number of variables involved. Therefore, Bonneville will continue to use the industry standard of resource nameplate for determining non-federal resource allowances in the Provider of Choice contracts.

Bonneville will maintain its draft Policy approach allowing for customers to add non-federal resources with an aggregate nameplate up to 5 MW or 50% of CHWM (whichever is less) and preserve access to power available under PF Tier 1 rates. Bonneville appreciates that customers may have unique situations to discuss during the policy implementation and contract development phase.

Issue 32: Should Bonneville expand eligibility for the non-federal resource allowance to include power purchase agreements?

Policy Proposal

In Section 2.3.3.1 of the draft policy, Bonneville proposed a non-federal resource allowance up to an aggregate of 5 MW nameplate or 50% of the customer's CHWM, whichever is less, based on resource nameplate capacity. To be eligible for the allowance, the resources must be: 1) a new identified customer-owned generating resource, 2) connected to the customer's distribution system, and 3) dedicated under the customer's Provider of Choice contract.

Public Comments

NRU and Big Bend indicated that Bonneville should expand the allowance eligibility parameters to include power purchase agreements for specified resources. POC-031-NRU; POC-010-Big-Bend. NRU stated that there is "no material difference between a customer-owned dedicated resource and a dedicated specified resources power purchase agreement." POC-031-NRU.

Evaluation and Decision

Bonneville will include that a power purchase agreement for a specified resource qualifies for the non-federal resource allowance. Bonneville will consider power purchase agreements for specified resources to be customer-owned resources for purposes of the allowance. To qualify for the allowance, the resource named in the power purchase agreement must be less than or equal 5 MW nameplate, connected to the customer's distribution system, and dedicated in the customer's contract. Customers with power purchase agreements for resources greater than 5 MW nameplate would not be eligible for the non-federal resource allowance.

Issue 33: Should Bonneville require that resources be directly connected to a customer’s distribution system to be eligible for the non-federal resource allowance?

Policy Proposal

Bonneville proposed in Section 2.3.3.1 of the draft Policy that a customer’s non-federal resource must be connected to the customer’s distribution system to qualify for the non-federal resource allowance.

Public Comments

NRU and Mason 3 proposed that the requirement should be changed to allow resources connected to a customer's distribution system or customer-owned transmission system, subject to study and approval. POC-031-NRU; POC-022-Mason-3. Mason 3 also noted that if Bonneville does not raise the allowance or base it on expected generation, Mason 3 requested that Bonneville remove the requirement that the resource be connected to the distribution system. POC-022-Mason-3.

WPAG commented that Bonneville should remove the requirement for a resource to be connected to the customer's distribution system because not all Bonneville customers are similarly situated to locate renewable generation in their service territory, and removing the requirement would better support customers developing jointly owned resources. POC-045-WPAG.

The Labor and Environmental Coalition disagreed with the requirement that non-federal resources be connected to the customer’s distribution system, arguing this would “put a damper on non-federal resource development in the region and lead to higher rates.” POC-016-Labor-Environmental.

Evaluation and Decision

Bonneville proposed the non-federal resource allowance in response to customer requests to include flexibility to develop and integrate their own non-federal resources to help meet regional goals and state decarbonization legislation. The allowance permits a customer to offset its Bonneville purchase obligation if a resource meets certain eligibility criteria. Bonneville included the requirement for a customer’s non-federal resource to be connected to its distribution system as a reasonable balance between offsetting Bonneville revenues with encouraging non-federal resource development that benefits the utility and the community it serves.

Bonneville views the benefit of non-federal resource development as similar to the benefit of conservation, as they are both performed at the utility level and can provide transmission benefits. Bonneville believes that requiring a customer’s non-federal resource to be connected to the customer’s distribution system will provide a transmission system benefit by reducing the load at the utility level and helping to avoid or mitigate transmission congestion due to scheduling non-federal resources across the region.

Customers that develop or acquire resources outside their service territory, including by purchasing a share of a resource, will retain the flexibility that they currently have under Regional Dialogue to use these resources to serve Above-CHWM load.

NRU and Mason 3 raise an issue that may apply to a limited but growing number of customers--whether a resource connected to customer-owned transmission might also qualify for the allowance. In limited circumstances, most notably when customer service areas are large and service drops are dispersed, the distribution within that customer's area may include facilities that are higher voltage than traditional distribution voltages. When these higher-voltage transmission systems connect to and primarily serve only that customer's loads and resources, Bonneville will also consider requests for resources connected to such systems to be eligible for the non-federal resource allowance.

Bonneville will maintain the draft Policy non-federal resource allowance eligibility requirement that a customer's non-federal resources must be connected to a customer's distribution system.

Issue 34: Should Bonneville expand the distribution system requirement for the non-federal resource allowance to allow for resources connected to the distribution system of a joint operating entity (JOE) member?

Policy Proposal

Bonneville proposed in Section 2.3.3.1 of the draft Policy that a customer's non-federal resource must be "connected to a customer's distribution system" to be eligible for the non-federal resource allowance.

Public Comments

PNGC commented the final Policy should include the "or a distribution system of a JOE Member" as part of the eligibility language for the non-federal resource allowance. PNGC requested confirmation that members of a JOE can jointly own resources, as long as their individual ownership share is less than 5 MW and the project is connected to a JOE member's distribution system. POC-046-PNGC.

OPALCO supported PNGC's request to expand the language to include a JOE member. OPALCO also sought confirmation that JOE members can jointly own resources applied to the allowance. POC-013-OPALCO.

Evaluation and Decision

Bonneville appreciates the commenters suggestion to expand the non-federal resource allowance to add the following language: "or distribution system of a JOE Member." Bonneville recognizes that PNGC is a power contract customer and does not have a distribution system. Bonneville intended for the allowance to apply to individual JOE members, like OPALCO, and therefore the resource must be connected to the individual JOE member's distribution system. Bonneville clarified in the final Policy that the allowance applies to the distribution of an individual JOE member.

If multiple JOE members jointly own a resource, an individual JOE member could qualify for the allowance if the resource is under 5 MW and the resource is connected to its distribution system. That is to say, the resource must be connected to the distribution system of the JOE member seeking the allowance. If the other JOE members who jointly own the resource are not connected to the same distribution system, they would not be eligible to apply the resource under the allowance. However, JOE members may jointly own a resource to serve their Above-CHWM load, assuming they have elected the Flexible Above-CHWM path.

Issue 35: Should Bonneville change the non-federal resource allowance eligibility start date to 2025?

Policy Proposal

To qualify for the non-federal resource allowance, Bonneville proposed in Section 2.3.3.1 of the draft Policy that a customer's non-federal resource must be a new (does not exist pre-2028) identified customer-owned generating resource.

Public Comments

NRU, Big Bend, and Mason 3 expressed concern with the requirement for non-federal resources eligible for the allowance to be new, as in not existing prior to 2028. POC-031-NRU; POC-010-Big-Bend; POC-022-Mason-3. NRU commented that the requirement would "certainly result in a severe reduction or total elimination of the many federal incentives available for renewable resource development today." POC-031-NRU. Big Bend asserted the requirement would "not encourage the use of the federal funds that are currently available." POC-010-Big-Bend. NRU advocated for eligibility to begin after the Policy is finalized, while Big Bend and Mason 3 advocated for eligibility to begin in 2025 when the parties sign contracts. POC-031-NRU; POC-010-Big-Bend; POC-022-Mason-3.

In support of its proposed change, NRU mentioned the current federal and state incentives, the cost impact to preference customers and end users, and Bonneville's statutory obligation to support non-federal resource development under Northwest Power Act section 6(e)(1). POC-031-NRU. Big Bend argued that changing the eligibility date will "allow projects to proceed as soon as possible." POC-010-Big-Bend.

Evaluation and Decision

Bonneville intends for the non-federal resource allowance to provide more flexibility for customers to integrate non-federal resources to address new industry drivers including state regulations supporting decarbonization. After consideration, Bonneville believes it is not necessary to include the language "does not exist pre-2028" in the Policy. The Policy will continue to include the requirement that the customers non-federal resource be a "new" resource under the Provider of Choice contract. Bonneville intends that resources qualifying for the non-federal resource allowance will fall under the Provider of Choice contract definition of "new" resources and not be considered "existing" resources. Further, Bonneville will discuss whether a "new" resource under Provider of Choice could have been an existing resource under a prior contract such as Regional Dialogue. To allow otherwise would invite resource shuffling among customers, which could result in no incremental increase in the development of non-federal resources. In the policy implementation and contract development phase, along with the 5(b)9(c) process, Bonneville will define "new" and "existing" resources under the Provider of Choice contracts.

Bonneville has removed the language "does not exist pre-2028" from the non-federal resource allowance eligibility criteria in the final Policy.

Issue 36: Should customers have the option to choose between applying new resources to the non-federal resource allowance or using them to serve Above-CHWM load?

Policy Proposal

The draft Policy did not specifically address whether customers should have the option to choose between applying new resources to the non-federal resource allowance or using them to serve Above-CHWM load.

Public Comments

OPALCO and PNGC commented that customers should be able to choose if they want to displace their Tier 1 allocation or serve their Above-CHWM load. OPALCO requested clarification that customers with Above-CHWM obligations that invest in resources will not see a reduction in their CHWM during Provider of Choice or at the end of the contract. POC-013-OPALCO; POC-046-PNGC.

Evaluation and Decision

When a customer dedicates a new resource that qualifies for the non-federal resource allowance, the customer will have the option to elect whether it will apply to the allowance or be used to serve Above-CHWM load. In other words, the customer can elect whether the resource serves load that otherwise would be served at a PF Tier 1 rate or to serve Above-CHWM load if a customer has elected the Flexible Above-CHWM Path. Once the election is made, the customer will not be able to change the resource application. Bonneville proposed this resource election based on the treatment of Small Non-dispatchable New Resources Treated Equivalently to Existing Resources Exception (SNEER Exception) provided under the Regional Dialogue contract.

Bonneville has updated the Policy to specify that customers will have the option to obtain the allowance or serve Above-CHWM load with qualifying resources.

Issue 37: Will applying a resource under the non-federal resource allowance change a customer's CHWM and/or load shaping amounts?

Policy Proposal

Bonneville explained in Section 2.3.3.1 of the draft Policy that application of a qualifying resource under the non-federal resource allowance would reduce a customer's net requirement. The draft Policy explained, "[w]hen a customer applies a qualifying non-federal resource under this allowance, it will not reduce their CHWM, but it may reduce the amount of power they are eligible to purchase at a PF Tier 1 rate and may create headroom for the customer unless they have a firm load need such as Above-CHWM load."

Public Comments

Several commenters requested clarification of how the allowance would impact a customer's Tier 1 eligibility. POC-024-AHWM-Group; POC-001-Inland; POC-050-AWEC; POC-055-Lewis; POC-034-Flathead; POC-031-NRU. AWEC requested clarification on how the allowance would interact with headroom. POC-050-AWEC. OPALCO and PNGC requested that Bonneville clarify that "customers investing in resources while carrying AHWM obligations will not see a reduction in their Tier 1 allocation, either during the contract, or at the end of the contract." POC-013-OPALCO; POC-046-PNGC. Inland Power and Light Company (Inland) requested "clarification from BPA on how the non-federal resource allowance impacts . . . load shaping." POC-001-Inland.

Evaluation and Decision

Section 5(b) of the Northwest Power Act requires Bonneville to account for a customer's resources when determining the amount of electric power Bonneville needs to supply a customer to serve their net requirements load. Therefore, a customer's development or acquisition of any resource applied to its load will reduce the amount of power it may purchase from Bonneville. In contrast, a customer's CHWM is a contractual mechanism that specifies how much power the customer may purchase at a PF Tier 1 rate throughout the Provider of Choice contract period. Bonneville will calculate a customer's CHWM once at the outset of the contract and it will remain the same throughout the contract term.

If a new resource is added by a customer to serve its load, it would reduce the amount of power they are eligible to purchase from Bonneville, which could be below the customer's CHWM. While the customer's CHWM would not be reduced, its eligibility to purchase power at PF Tier 1 rates would be limited by its net requirements. For a customer that has Above-CHWM load and elected the Flexible Above-CHWM path, a new resource added by the customer would reduce the amount of its load that is above its CHWM and would not impact its CHWM eligibility for purchasing power at a PF Tier 1 rate.

Bonneville will address load shaping charges in the PRDM and/or future 7(i) processes.

Issue 38: How will resources qualifying for the non-federal resource allowance be treated in regard to customer obligations to purchase RSS? Should Bonneville clarify what constitutes potential "additional capacity costs" that are mentioned in the draft Policy?

Policy Proposal

In Section 2.3.3.1 of the draft Policy, Bonneville proposed that it would not require a customer to purchase and apply RSS to support the non-federal resources that qualify for the non-federal resource allowance, but the customer could be subject to any additional capacity costs created by the addition of such resources.

Public Comments

NRU and AWEC requested additional clarity around the policy statement that a "customer could be subject to any additional capacity costs created by the addition of such resources." POC-031-NRU; POC-050-AWEC. NRU commented that more information is needed if "additional capacity costs" refers to integrating resources with relatively low QCC values. POC-031-NRU. AWEC commented that it is unclear whether the capacity charges referred to would apply as a supplement to or as a successor to the existing RSS. Specifically, AWEC asked for Bonneville to clarify what RSS replacement capacity charges would still apply to the excepted resource. POC-050-AWEC.

Evaluation and Decision

Under Regional Dialogue, all new resources greater than 1 MW nameplate are subject to RSS charges if the customer elects Bonneville's RSS. Customers have the option to instead use a third-party for shaping services for new resources if the resources are delivered in the contract's pre-defined shapes. Under the Provider of Choice non-federal resource allowance, Bonneville will waive RSS requirements for qualifying resources. However, if Bonneville and its customers are exposed to significant capacity-driven cost-shifts associated with individual customer resource decisions, the agency will design rates to recover the associated capacity costs when appropriate. Bonneville would develop rates for such capacity costs in the PRDM and/or future 7(i) processes when these rate-related issues become ripe for decision.

Issue 39: Should Bonneville raise the minimum threshold for non-federal resource tracking in the Provider of Choice contract to higher than the 1 MW nameplate?

Policy Proposal

Bonneville proposed in Section 2.3.3.2 of the draft Policy to raise the minimum threshold required for a customer's non-federal resource to be included and tracked in the power sales contracts from a nameplate of 200 kilowatts (kW) to 1 MW.

Public Comments

Many commenters expressed strong support for the change to the minimum threshold, including NRU, Public Utility District #1 of Lewis County (Lewis), Flathead, OPALCO, WPAG, AWEC, PNGC, and Mason 3. POC-031-NRU; POC-055-Lewis; POC-034-Flathead; POC-013-OPALCO; POC-045-WPAG; POC-050-AWEC; POC-046-PNGC; POC-022-Mason-3. Lewis requested confirmation that currently tracked Regional Dialogue resources above 200 kW but below 1 MW will not be included in the Provider of Choice contracts. POC-055-Lewis. AWEC requested clarification on the applicability of RSS purchase obligations and the "requirements outlined in their transmission contracts, including any metering requirements" that would apply. POC-050-AWEC.

The Labor and Environmental Coalition strongly advocated for raising the minimum threshold further to 5 MW and called the 1 MW threshold "hugely inconsistent with the scale of the low-carbon transition." The coalition claimed the restriction would "put a damper on non-federal resource development in the region and lead to higher rates." POC-016- Labor-Environmental.

AWEC and NRU suggested that eligibility for the minimum threshold exception should be measured by actual or expected generation and not nameplate capacity. Both noted the low-capacity factors of small-scale renewable resources as a reason to reject nameplate capacity as the standard of measurement, similar to the arguments regarding measuring resource eligibility for the non-federal resource allowance discussed in Issue 31. POC-050-AWEC; POC-031-NRU.

Evaluation and Decision

Bonneville appreciates the comments in support of raising the minimum threshold for tracking non-federal resources in the Provider of Choice contracts to 1 MW. Customer resources under 1 MW nameplate that are currently listed in the Regional Dialogue contracts will no longer be included or tracked under the Provider of Choice contracts. Bonneville will not require RSS or other specific rate treatment, and the resources will only appear to Bonneville Power Services as changes in load. Resources greater than 200 kW will continue to be subject to any Bonneville Transmission Services' contract requirements.

First, for reasons similar to those stated in the Issue 31, Bonneville will use nameplate for the minimum non-federal resource threshold. The use of nameplate is an industry standard, provides a known, maximum amount of generation, and can be verified for each resource.

Under Regional Dialogue, the 200 kW nameplate threshold represented the maximum size of a generating resource a customer may apply to serve load without contractual implications. All resources greater than 200 kW nameplate must be listed in the contract. While resources with nameplates between 200 kW and 1 MW will no longer be included or tracked in the Provider of

Choice contract, customers will continue to be required to comply with all Transmission Services contract requirements, including any metering requirements.

Bonneville analyzed the implications of an increase in the minimum threshold by evaluating increasing thresholds of 1 MW nameplate up to 10 MW nameplate. The agency determined that an increase above 1 MW would create too much potential for cost shifts among customers under the Provider of Choice contract based on potential variations in customer resource amounts.

Bonneville recognizes that the risk profile of potential cost shifts is not symmetrical. When average market prices are higher than the average PF Tier 1 rate, Bonneville is not assumed to recoup additional revenue from increased net secondary sales. This is based on an assumption that customers will, with varying degrees of effectiveness, sell the output of their own 1 MW or smaller resources and rely on Bonneville to continue to serve their net requirement at the PF Tier 1 rate. Bonneville has determined that raising the non-federal resources allowance threshold would provide a higher potential for customers to "flip-flop" their non-federal resources between serving load (reducing their purchase of power from Bonneville) or marketing the output and placing additional load on Bonneville, depending on market conditions. Therefore, the higher the threshold, the greater the risk of cost shifts from one customer's non-federal choices to other customers. In order to mitigate potentially significant cost impacts based on other customers' resource decisions, Bonneville will limit the non-federal resource threshold to 1 MW nameplate for the Provider of Choice contract.

Bonneville acknowledges that the ability of customers, consumers, and developers to construct and install small resources is less complex and expensive since execution of the Regional Dialogue contracts. Resources, particularly solar, can be right-sized with relative ease and little added construction or equipment expense. Because of this flexibility, Bonneville intends to define and further discuss what constitutes a single resource for threshold requirement purposes in the policy implementation and contract development phase.

Issue 40: Should Bonneville change the non-federal resource minimum threshold size for tracking prior to the Provider of Choice contracts?

Policy Proposal

Bonneville proposed in Section 2.3.3.2 of the draft Policy to raise the minimum threshold required for a customer's non-federal resource to be included and tracked in the power sales contracts from a nameplate of 200 kilowatts to 1 MW. Under Regional Dialogue, Bonneville exempted individual non-federal resources under 200 kW nameplate capacity from tracking. Bonneville did not address if it would change its policy to account for the remaining years of the Regional Dialogue contract.

Public Comments

OPALCO and PNGC expressed support for raising the threshold to 1 MW and also requested for Bonneville to implement the change as soon as possible. Both commenters also requested clarity on the treatment of specified non-federal resources between 200 kW and 1 MW for the remainder of the Regional Dialogue contract period. POC-013-OPALCO; POC-046-PNGC. Flathead explicitly requested a “stopgap policy decision” to address specified non-federal resources between 200 kW and 1 MW between now and October 1, 2028. Flathead commented that the Regional Dialogue Policy is “preventing our members from installing resources such as solar arrays and batteries.” POC-034-Flathead. All three commenters indicated a desire for a “smooth transition” and for avoiding additional “administrative burden.” POC-013-OPALCO; POC-046-PNGC; POC-034-Flathead.

Evaluation and Decision

Bonneville agrees with commenters that it is important to have a smooth transition into the Provider of Choice contract regarding resource implementation. Under the Regional Dialogue contract, customers must report and track resources greater than 200 kW nameplate. Bonneville recognizes that opportunities for funding and adding non-federal resources may be time-constrained, and that the resource size threshold will increase under Provider of Choice. While outside the scope of the Provider of Choice Policy and contracts, Bonneville remains open to discussing non-federal resource tracking under the Regional Dialogue contracts.

Issue 41: Should the Provider of Choice Policy address how Bonneville could support consumer-owned resources developed before FY 2029 that are less than 1 MW?

Policy Proposal

In Section 2.3.3.2 of the draft Policy, Bonneville stated that it would raise the minimum threshold required for a customer’s non-federal resource to be included and tracked in the power sales contracts from a nameplate of 200 kilowatts to 1 MW for the Provider of Choice contract period. The draft Policy did not propose to change the treatment of the 200 kW threshold for the remainder of the Regional Dialogue contracts.

Public Comments

Flathead Electric Cooperative supported the proposal to change the resource minimum threshold from 200 kW to 1 MW in the Provider of Choice contracts. However, Flathead commented that this proposal creates a gap for 200 kW to 1 MW resources developed under Regional Dialogue prior to Provider of Choice power deliveries commencing in FY 2029. Flathead commented that by not addressing the requirement that hourly consumer resource generation cannot exceed consumer load, Bonneville will hamper or prevent development of consumer resources. Flathead's concern was that the funding opportunities available to utilities and consumers today may not be available when the new contracts take effect. Flathead requested that Bonneville create a stopgap provision in the final Policy to ensure a smooth transition between the 200 kW and 1 MW thresholds between contracts. POC-034-Flathead.

Evaluation and Decision

In this process, Bonneville addresses policy issues regarding the Provider of Choice contracts and does not address implementation of Regional Dialogue contracts.

Flathead's comment addresses Section 3.6.3 of the Regional Dialogue contract. The section states, "[Customer] shall receive no compensation from BPA for excess power generated on any hour from such resources." Regional Dialogue Conformed Load Following Template[27]. Bonneville currently applies this for any resource greater than 200 kW. In the final Policy, Bonneville will adopt the minimum threshold of 1 MW for the Provider of Choice contract period and consequently expects that this provision will apply to fewer resources than under Regional Dialogue. However, the Policy will not address Regional Dialogue contract administration. Any requests for administrative relief will be considered outside the Policy and ROD. As noted under Issue 40, while outside the scope of the Provider of Choice Policy and contract development, Bonneville remains open to discussing non-federal resource tracking under the Regional Dialogue contracts.

For the Provider of Choice contract period, Bonneville will maintain the draft Policy approach and raise the minimum threshold required for a customer's non-federal resource to be included and tracked in the power sales contracts from a nameplate of 200 kW to 1. MW.

Issue 42: Should the Provider of Choice and 5(b)9(c) policies clarify that a customer dedication of non-federal resources will not reduce CHWM eligibility in Provider of Choice or future contracts?

Policy Proposal

In the CHWM calculation described in Section 2.4.1 of the draft Policy, Bonneville would subtract resources that were dedicated to load during Regional Dialogue from a customer's PF-eligible load.

[27] The Regional Dialogue Conformed Load Following Template is available at https://www.bpa.gov/-/media/Aep/power/regional-dialogue/conformed-lf-template-062623.docx.

Public Comments

NRU and the AHWM Group expressed concern about the impact of dedicated resources used to serve Above-CHWM load and the impact to customer CHWMs. They requested that Bonneville clarify in both the Provider of Choice Policy and 5(b)9(c) Policy that a customer's CHWM would not be reduced under the Provider of Choice or future contracts because of dedicating a non-federal resource to serve Above-CHWM load. POC-031-NRU; POC-024-AHWM-Group.

EWEB commented that the draft Policy treats resources by type and the impact to CHWMs result in a disincentive to invest in new resources. EWEB requested for Bonneville to consider how to incentivize and support desired resource investments across contracts by considering the impact to CHWMs. POC-044-EWEB.

Evaluation and Decision

Bonneville acknowledges customer concerns that reducing customer CHWMs because they have developed non-federal resources during Regional Dialogue will create a disincentive to invest in non-federal resources in the future. As stated in workshops, Bonneville emphasizes that the Provider of Choice policy and contracts do not set policies or create obligations beyond the proposed Provider of Choice contract period, just as Regional Dialogue policy positions were not guaranteed beyond the Regional Dialogue contract period. Bonneville will not set a policy that ties future contracts to a construct that may not be workable in the future.

Commenters also request that Bonneville update the 5(b)9(c) Policy to assure customers that customer resources developed during Regional Dialogue and Provider of Choice would not impact their ability to purchase power at a PF Tier 1 rate in the future. Section 5(b) of the Northwest Power Act specifies that the Administrator must offer a contract for the sale of electric power to meet a customer's load net of its resources. Bonneville's 5(b)9(c) Policy describes how the Administrator determines customer net requirements. The agency establishes a customer's CHWM independent of the calculation of net requirements to determine the amount of power a customer is eligible to purchase at PF Tier 1 rates. Bonneville determines the overall amount of power a customer is eligible to purchase based upon its net requirements calculation, not its CHWM. The agency will not update the statutory net requirements determination outlined in the 5(b)9(c) Policy to set policies around contractual CHWM calculations and tiered rates that may or may not exist in the future.

For the Provider of Choice contracts, Bonneville must subtract resources that will be dedicated to customer load from the CHWM calculation to have an accurate understanding of the load Bonneville is obligated to serve under Northwest Power Act section 5(b) contracts. Bonneville is not statutorily authorized to sell power to customers for load served by the customer's dedicated resources. Further, if Bonneville did not account for dedicated resources in the CHWM calculation, customers would retain headroom that could disincentivize or delay resource development during the Provider of Choice contract period.

Including non-federal resources in the CHWM calculation will maintain the policy intent behind tiered rates, which sends a price signal to individual customers to incentivize resource development and conservation efforts to address customer load growth. The price signal would be lost if customers retained CHWM after developing resources.

In summary, Bonneville will not make the requested changes to the final Policy or 5(b)9(c) Policy. Bonneville will subtract resources dedicated to load during Regional Dialogue from a customer's PF-eligible load as proposed in the draft Policy.

Issue 43: Should Bonneville commit to providing RSS and NRFS in the draft Policy?

Policy Proposal

In Section 2.3.3 of the draft Policy, Bonneville recognized the importance of customer flexibility to add non-federal resources to serve total retail load. Bonneville stated that it is a goal of this policy to offer flexibility to customers to invest in and integrate non-federal resources so customers can meet their firm power supply needs for a portion of their load. To that end, Bonneville explained in Section 2.3.3.5 of the draft Policy that support services like those under RSS were an important part of providing non-federal resource flexibility but left open whether the RSS in its current form would be offered in the Provider of Choice contract. Bonneville stated that during the policy implementation and contract development phase, as well as the PRDM process, Bonneville will determine whether it will maintain the RSS requirement or propose a broader shift in capacity rate design that captures a similar cost-causation outcome.

The draft Policy did not mention other supporting products, such as NRFS, for non-federal resources serving customer NLSLs. Section 4.2 of the draft Policy mentioned that customers will retain the option to serve NLSLs with dedicated resources in lieu of electing service from Bonneville.

Public Comments

Several commenters requested confirmation within the Policy and/or ROD that Bonneville would continue to offer non-federal integration services, e.g., RSS. POC-003-ICUA; POC-035-Fall-River; POC-024-AHWM-Group. Many of these commenters, while supporting RSS, requested that Bonneville change the way it is priced, suggesting that the current pricing often makes non-federal resource integration cost prohibitive. POC-010-Big-Bend; POC-031-NRU; POC-046-PNGC; POC-022-Mason-3. PNGC and OPALCO commented that "BPA should be charging customers for actual cost incurred." POC-046-PNGC; POC-013-OPALCO.

NRU commented that "there is more than a little disagreement as to what costs should be included in an RSS product, and further, how those costs should be structured going forward." Additionally, NRU commented that "RSS is needlessly complex and cost prohibitive, especially with respect to the capacity customers are expected to purchase to balance variable, carbon-free resources such as solar and wind." Given Bonneville operates under the WEIM, NRU believed that Bonneville approaches resource integration too conservatively as evidenced by the current design of RSS and related products. They stated that this results in a "remarkably inefficient utilization" of the FCRPS resources dedicated to RSS and related products. NRU proposed that Bonneville should commit to reevaluating the capacity contributions of different generating resources and work toward developing an RSS product that is comparable to its load shaping product and rate while considering the operational realities of the WEIM. Finally, NRU requested for Bonneville to reconsider penalties associated with RSS and schedule deviation. POC-031-NRU.

EWEB commented that it "supports BPA requiring RSS or a similar demonstration of firm energy and capacity to serve load." Additionally, EWEB requested additional discussion around using market settlements for integrating variable resources, noting that as we move toward organized markets "there may be alternate approaches to prevent customers from 'leaning' on the system to serve their load." Finally, related to resource integration services, EWEB commented that "[l]oad following customers may be able to access market settlements for new resources if they demonstrate they are bringing sufficient capacity and energy to the table to adequately meet their need. This could potentially be done through a rate construct, or through external verification of resource capacity contributions." POC-044-EWEB.

PNGC and OPALCO suggested the use of "an hourly price schedule or use of an hourly market index" to inform pricing. POC-046-PNGC; POC-013-OPALCO.

Snohomish commented that it welcomed discussion of revisions to RSS, suggesting that capacity costs be captured in a cost-causation framework. POC-033-Snohomish. Flathead commented that Bonneville "should consider reforming Load Following to allow different renewable shapes and to consider clearing variance between scheduled and actual generation using the EIM rather than RSS." POC-034-Flathead. Similarly, Mason 3 commented that "Bonneville should examine the RSS design and reconsider its financial impact given current and potential market participation and the original intent of the product." POC-022-Mason-3.

Grant commented that it "should have access to the same suite of products and services as any other PF customer, including . . . unbundled Resource Support Services." Additionally, Grant commented that "BPA's RSS should be priced and offered on the same basis as the ancillary services supplied by BPA to non-federal suppliers and BPA's transmission customers." POC-012-Grant.

The AHWM Group sought explicit confirmation within the Policy and/or ROD that Bonneville will continue to offer non-federal integration service (e.g., RSS and NRFS) for both PF and non-PF eligible load service in the post-2028 era contracts. The AHWM Group contended that these services will be critically important for utilities who are looking to develop carbon-free resources. The AHWM Group also provided suggestions on how Bonneville should price such products, noting that Bonneville should adopt a "cost causation approach . . . grounded in actual costs incurred instead of the existing theoretical marginal cost approach . . ..” POC-024-AHWM-Group.

Evaluation and Decision

Under section 5(b) of the Northwest Power Act, Bonneville’s firm power supply obligation is determined by netting customer loads against their non-federal resources that are dedicated to load. *See* 16 U.S.C. § 839c(b)(1) (2022). Often, these non-federal resources require additional energy and capacity services to shape the energy output to the customer load. Under Regional Dialogue, Bonneville required customers to acquire a shaping service for non-federal resources dedicated to serving load. Bonneville offered RSS, as a component of the Regional Dialogue contract. RSS is an amalgamation of seven separate services used to support and manage non-federal resource integration.[28] RSS is limited to non-federal resources that were dedicated to serve general requirements (section 7(b)) loads and was not available to shape non-federal resources serving a NLSL (a section 7(f) load).

In the BP-16 Rate Case, Bonneville established and added to its General Rate Schedule Provisions a provision for a new charge to accompany a new service applicable to a non-dispatchable specified resource dedicated by a customer to serve an NLSL. The charge and service is called NRFS charge. The NRFS was designed to be “[s]imilar to BPA’s Resource Support Services offered under the PF rate schedule . . . [by] allow[ing] a Load Following customer to apply the generation of a Specified resource directly to its NLSL.” Stiffler *et al.*, BP-16-E-BPA-17, at 21. At the time, Bonneville anticipated that some customers would purchase this service to integrate non-federal resources to serve NLSLs. To date, no customer has requested the NRFS service, though some have now expressed interest for the product in the BP-26 rate period.

Bonneville agrees that more discussion on RSS, or its successor, is needed before specifics can be developed, particularly in light of the many elements of the emerging energy landscape that did not exist when the TRM and the Regional Dialogue contracts were under development. Bonneville will discuss rate-related specifics in the PRDM and/or future 7(i) proceedings when these rate-related issues become ripe for decision. Bonneville intends to develop any such products with attention towards minimizing cost shifts and enabling non-federal resource integration.

Similarly, Bonneville will address other products for service to an NLSL, such as the NRFS, in subsequent processes. Making definitive decisions on the NRFS would be out-of-step with the decisions in the Provider of Choice Policy, which are primarily focused on PF-general requirements load service. To be clear, Bonneville is neither committing to offer the NRFS or a

[28] Currently, RSS includes all or part of the following services: Diurnal Flattening Service, Resource Shaping Charge and Resource Shaping Charge Adjustment, Secondary Crediting Service, Forced Outage Reserve Service, Transmission Scheduling Service and Transmission Curtailment Management Service Charge, Grandfathered Generation Management Service, and Resource Remarketing Service Credits. *See* BP-24, Power GRSPs.II.I, BP-24-A-02-AP01.

successor product nor deciding here whether to offer it. Rather, Bonneville views this issue as better addressed through contract negotiations and, if offered, charges for this service will be developed in section 7(i) rate proceedings.

3.4 Contract High Water Marks

Section 2.4 of the draft Policy described how Bonneville would calculate CHWMs, which set a PF customer's maximum eligibility to access power prices at a PF Tier 1 rate. Bonneville would establish CHWMS independent of the customer's net requirements determination. CHWMs are unique to each individual customer.

Several commenters offered general support for the CHWM approach proposed in the draft Policy noting appreciation for the balanced approach. POC-044-EWEB; POC-031-NRU; POC-029-PPC. EWEB supported the proposed framework and acknowledged that "BPA solicited input from a broad swath of stakeholders and iterated extensively after listening to customer feedback." POC-044-EWEB. WPAG also commented in support of the general CHWM approach and noted that the proposal helps ensure that "the existing Tier 1 System is largely put to its highest and best use. . .[.]" POC-045-WPAG. NRU supported the approach but encouraged Bonneville to retain flexibility to address CHWM allocation issues that may arise during implementation and are not expressly contemplated under the policy. POC-031-NRU.

Issue 44: Should Bonneville allow a JOE to pool its CHWM?

Policy Proposal

Bonneville addressed CHWMs for JOE utility members in Section 2.4 of the draft Policy and stated that CHWMs are unique to each individual PF-eligible customer. The draft Policy also stated because a JOE's utility composition may change over time, its CHWM will be the combined individual CHWMs of its membership.

In Section 3.5 of the draft Policy, Bonneville also stated that each individual customer within a JOE will need to make its own Above-CHWM load service election. Bonneville's draft Policy did not address pooling of CHWMs for a JOE.

Public Comments

PNGC and OPALCO stated that JOEs "have statutory rights that must not be infringed upon in this new contract." PNGC and OPALCO commented that a JOE utility member whose CHWM exceeds their net requirements should be able to "share" that excess entitlement to firm power at a PF Tier 1 rate with another member of the JOE with Above-CHWM load. POC-046-PNGC; POC-013-OPALCO. OPALCO asserted that "the Tier 2 LT rate is essentially a Tier 1 pool where headroom is shared. As all BPA customers can elect service under the pool, customers pooling their load requirements as a joint operating entity should be treated similarly under the new contract." POC-013-OPALCO. PNGC asked that Bonneville "acknowledge the right of a JOE to hold and pool its own members' Tier 1 headroom for use by the pool's AHWM loads qualifying as net requirements." POC-046-PNGC.

Evaluation and Decision

Regarding the pooling of net requirements, Bonneville's Regional Dialogue Policy stated that customers cannot pool their net requirements load or dedicated resources except as provided under section 5(b)(7) of the Northwest Power Act. Bonneville acknowledges that under statute a JOE is conferred status as a customer that may purchase requirements power from Bonneville on behalf of and in an amount equaling the sum of the net requirements load of its constituent member-utilities. To date, Bonneville has formally determined that only one entity – PNGC– has met both the statutory requirements for a JOE and Bonneville's standards for service. Bonneville's position at this time is that only an entity meeting these dual criteria of JOE may contract with Bonneville to purchase electric power in the amount of the net requirements load of its utility members.

While a JOE may purchase a "pooled" or aggregated amount of requirements power based on its members' individual net requirements, it is not reasonable to enable or allow a JOE to pool and redistribute its CHWM among its members. No customers are allowed to transfer or pool their unused CHWM amount with one another, not to mention that JOE membership fluctuates at times during a contract period. When this occurs the individual CHWM of a utility is critically important since the CHWM is individualized to the customer and moves with it whether it joins a JOE or leaves it. Furthermore, permitting such action broadly, let alone within a pool of JOE members, would undermine the Policy intent to send price signals to incentivize conservation and to levelize customer choice between purchasing power from Bonneville at the PF Tier 2 rate or acquiring power from non-federal resources to serve Above-CHWM load. As outlined in the Regional Dialogue Policy ROD, Bonneville recognized significant downsides to the concept of CHWM pooling. Long-Term Regional Dialogue ROD at 41-44 (July 2007) ("Regional Dialogue Policy ROD"). PNGC and OPALCO's comments lack clarity regarding the conceptual design of a pooling arrangement and Bonneville believes that pooling would add undue complexity to an already complex service package. Bonneville believes that any pooling arrangement would become administratively burdensome. Further, the Regional Dialogue Policy ROD highlighted a concern that pooling Above-CHWM load could lead to "imprudent deferrals of necessary resource investment." *Id.* at 42. Bonneville believes that it is necessary for each individual member to have its own CHWM and election for Above-CHWM load service in order to accurately account for expected load obligations. Bonneville has not identified a compelling reason to allow a JOE to pool the CHWMs of its members.

Bonneville will not amend the draft Policy to allow JOE members to pool CHWMs nor will it change its stance on Above-CHWM load service elections.

Issue 45: Should Bonneville establish a peak CHWM in order to tier capacity?

Policy Proposal

Bonneville did not address the concept of tiering capacity in the draft Policy.

Public Comments

WPAG and NRU requested clarification that Bonneville does not intend to tier capacity. More specifically, WPAG requested clarification on whether or not the proposed peak net requirement would be the basis for a demand rate. WPAG cautioned against using a peak net requirements methodology based on 1:2 forecasted load as it "could have unforeseen and deleterious rate or other impacts" to Load Following customers. POC-045-WPAG. NRU also requested clarity around whether Bonneville would tier capacity, how Bonneville would approach demand rates and what, if anything, would replace the CDQ. NRU discussed concerns about the impact to Load Following customers depending on the outcome of these decisions. POC-031-NRU. Mason 3 commented it does not support tiering rates for capacity for the Load Following product. POC-022-Mason-3.

E3 stated that Bonneville's WRAP membership "requires BPA to develop a method to explicitly allocate the capacity of the federal system." They described two principles for that allocation: (1) the amount of capacity allocated to a customer should be equal to the proportionate share of capacity costs assigned to the customer; and (2) any methodology for allocating capacity should adhere as much as possible to the WRAP methodology. E3 included two proposals for allocating capacity. The first option would leverage a customer's energy net requirements to determine how much of the federal WRAP accreditation would be allocated to each customer. The second option would develop a separate equation where peak net requirements is equal to a customer's WRAP forward showing requirement minus their WRAP accredited capacity. Bonneville would acquire resources if needed but under this model, customers with higher peak load (low load factor) would pay more for their share of total capacity cost. POC-018-E3.

Evaluation and Decision

To be clear, under the Policy, Bonneville is not allocating physical power regardless of its use to meet a customer's net requirements load in the form of energy and/or capacity; rather, the power sold pursuant to the Provider of Choice contracts will be subject to tiered PF rates which simply allocates costs. Accordingly, Bonneville will not tier capacity under Provider of Choice and will not establish a peak CHWM. Bonneville will determine each customer's individual CHWM to establish their right to purchase firm power at a PF Tier 1 rate, just as it used CHWMs to sell firm power under Regional Dialogue contracts.

Bonneville intends to design rates for different uses of capacity in the PRDM. Under Regional Dialogue contracts, Bonneville did not tier capacity but established price signals in the TRM through billing determinants, CDQs, and a marginal price to encourage efficient use of capacity. CDQs were not a peak CHWM but rather a billing determinant to mitigate rate impacts going from the Subscription contracts to Regional Dialogue contracts. Bonneville will evaluate different approaches during development of the PRDM. Bonneville does not intend to use CDQs in the future, but their purpose of mitigating rate shock will continue to be an important consideration going forward. As part of PRDM development, Bonneville expects to evaluate equity between customers with different load shapes and what capacity charges would be applicable to various products and services. These discussions will be part of the PRDM process, which started in January 2024.

Bonneville will not tier capacity under Provider of Choice and any capacity-related rates will be determined in the PRDM.

3.4.1 CHWM Calculation

In Section 2.4.1. of the draft Policy, Bonneville outlined how it would determine an individual CHWM by using the CHWM calculation. Bonneville's proposed determination of customers' CHWM would be based on the following calculation:

$$CHWM = Base\ Allowance - Headroom\ Adjustment + Conservation\ Adjustment \\ + New\ Specified\ Resource\ Adjustment + \ Load\ Growth\ Adjustment \\ + Propotional\ Share\ Adjustment$$

Bonneville recognizes that details, such as variables in the weather normalization process, will need to be determined in the FY 2026 CHWM Calculation process. Bonneville will adopt and apply this CHWM calculation to establish individual customer CHWM's for the Provider of Choice contracts.

Issue 46: Should Bonneville modify its public process to set Provider of Choice CHWMs?

Policy Proposal

Section 2.4.1 of the draft Policy stated that Bonneville would conduct a public process specific to the CHWM calculation with an opportunity for customers to review and provide input on the information being used in the calculation to ensure the process captures accurate information.

Public Comment

WPAG proposed that Bonneville should calculate preliminary CHWMs ahead of the formal process in FY 2026. WPAG suggested Bonneville "calculate preliminary CHWMs in FY 2024 based on (i) the CHWM calculation related determinations made in the Final Policy; and (ii) the information to be used in the CHWM calculation known as of June 1, 2024, or such other date in FY 2024 selected by the administrator…." POC-045-WPAG.

AWEC supported WPAG's proposal. AWEC also offered that Bonneville could conduct a "Provisional CHWM process utilized in the Regional Dialogue contracts." POC-050-AWEC.

The Labor and Environmental Coalition requested Bonneville "guarantee meaningful consultation with Tribal Nations and stakeholder engagement" in a number of processes mentioned in the draft Policy including the CHWM process. The Labor and Environmental

Coalition noted that the draft Policy had "only vague references to seeking public input in those forums." POC-016-Labor-Environmental.

Evaluation and Decision

Notwithstanding the individual nature of each customer's information used in the calculation, Bonneville will conduct a public process to set Provider of Choice CHWMs using the CHWM calculation described in the Policy. The process will be open and transparent with opportunities for customers and interested parties to engage and provide feedback about the data and inputs used to calculate individual CHWMs. Bonneville intends to conduct the process leveraging the iterative and open process used to determine Regional Dialogue CHWMs.

Bonneville held extensive workshops on the CHWM calculation during the policy phase. Informal feedback, both in workshops and in writing, significantly shaped the calculation that was proposed in the draft Policy. The comments Bonneville received on the draft Policy were largely supportive of the overall calculation with some commenters requesting specific changes within the established calculation. Bonneville assumes based on requests from AWEC and WPAG to calculate preliminary CHWMs that these commenters would support using the calculation in the Policy.

In regard to AWEC and WPAG's requests to conduct a formal preliminary or provisional CHWM process or calculation, Bonneville will not commit to producing a preliminary or provisional CHWM. Bonneville will release an updated CHWM Calculation Tool with the final Policy to reflect changes made in the Policy and updated data. Bonneville will consider if additional updates may be warranted based on available data ahead of the formal process in FY 2026. Bonneville addresses why FY 2026 is the year the CHWM calculation should be conducted in Issue 47.

Bonneville noted in the draft Policy that it would weather normalize the FY 2023 load data and stated it would generally follow the weather normalization process described in the TRM and used to set Regional Dialogue CHWMs. The weather normalization process is intended to address concerns about abnormal loads in FY 2023 compared to other years and will be an important step in calculating customers' CHWMs. To date, Bonneville has not heard any concerns in workshops or in comment with using the TRM weather normalization process when calculating Provider of Choice CHWMs.

Bonneville will adopt the TRM approach for weather normalizing load and has added the following language to Section 2.4.1.2 of the Policy:

> Bonneville will model the weather-normalization process on the methodology established in Section 4.1.1.3 of the TRM. Bonneville will use two data sets to weather-normalize each customer's load – monthly FY 2023 data and monthly historical data for FY 2018 through FY 2022. Bonneville will employ different normalization methods for non-irrigation loads, such as residential and

> commercial loads, and for irrigation loads. If a customer has both types of loads, Bonneville will split the loads before the weather-normalization process and then aggregate the loads after the weather-normalization process.
>
> For non-irrigation load, Bonneville will use temperature data obtained from the National Oceanic and Atmospheric Administration weather station nearest to a customer's point(s) of delivery to weather-normalize the non-irrigation load data for each customer. The differences between average daily historical and average daily actual temperatures will determine cumulative levels of above- and below-average temperatures, measured in heating degree days (HDDs) or cooling degree days (CDDs). The HDDs and CDDs will be multiplied by weather coefficient values to result in an electric load adjustment value (in average megawatts) associated with the non-average temperature conditions. Finally, the non-irrigation portion of the FY 2023 load and the HDD and CDD adjustment values will be combined to obtain the weather-normalized load.
>
> For irrigation load, Bonneville will use an adjusted historical load average to weather-normalize the irrigation loads for each utility submitting irrigation load data. Bonneville will calculate a five-year historical load average of each customer's irrigation load for years FY 2018 through FY 2022. Bonneville will adjust the historical load average by the average annual growth rate. Bonneville intends to calculate the difference between the highest recorded annual irrigation loads in calendar year (CY) 2013 through CY 2015 and the highest recorded in CY 2021 through 2023. Bonneville will work with customers to determine the exact measurement periods ahead of the CHWM calculation process. Bonneville will conduct further verification with the customers and either confirm or adjust the growth rate as needed. In any event, this average annual growth rate cannot be negative. Finally, Bonneville will adjust the customer's actual FY 2023 irrigation load to meet the growth rate-adjusted historical load average.
>
> Bonneville will determine the historical average irrigation load based on meter reads for FY 2018 through FY 2022. In order to determine the growth-adjustment factor, Bonneville will also require monthly irrigation load data for the historical period through CY 2023. If Bonneville does not have irrigation data already, customers will be required to submit monthly irrigation load data. Bonneville will specify a deadline for data ahead of the FY 2026 CHWM calculation process.

Policy § 2.4.1.2 (footnote omitted).

Issue 47: Should Bonneville complete the CHWM calculation in FY 2026?

Policy Proposal

Bonneville proposed in Section 2.4.1 of the draft Policy to calculate customers' CHWMs in FY 2026 after Provider of Choice contracts are executed.

Public Comments

NRU expressed concern with Bonneville's proposal to calculate CHWMs in FY 2026, explaining that "[c]ustomers will not be afforded clarity with respect to AHWM exposure, making it difficult to plan for non-federal resource options." POC-031-NRU. Grant also expressed concern that "[r]equiring execution of contracts prior to the finalization of CHWMs creates risks for customers" and suggested Bonneville provide "regularly updated calculations of CHWMs for all customers and iterations between finalizing the CHWMs and the execution of new contracts." POC-012-Grant. McMinnville expressed "concern with BPA's expectation to calculate CHWM in FY 2026, after its proposed contract execution deadline of late 2025. POC-015-McMinnville. Big Bend recommended that customers should make Above-CHWM load service elections after CHWMs are calculated. POC-010-Big-Bend.

Some commenters suggested delaying the CHWM calculation until after the economic adjustment's recovery high load measurement period. WPAG advocated for lengthening the recovery high load period to October 1, 2023, to March 31, 2026, and suggested that Bonneville calculate CHWMs between April and December of 2026. POC-045-WPAG. Public Utility District No. 1 of Mason County (Mason 1) and AWEC advocated for delaying CHWM calculations until 2027 to allow the recovery period of the economic adjustment to cover 2024 through 2026. POC-061-Mason-1; POC-050-AWEC. AWEC recognized that "some stakeholders may be eager to have certainty around their future CHWM levels as soon as possible and so a delay of one year may be an issue." AWEC supported WPAG's proposal for calculation of preliminary CHWMs. POC-045-WPAG; POC-050-AWEC. AWEC suggested that "BPA could calculate preliminary CHWMs in 2024 which would provide customers with updated information to assist in their planning process." POC-050-AWEC. Bonneville addresses whether to extend the economic adjustment recovery period in Issue 49.

Evaluation and Decision

Bonneville recognizes that several commenters requested for CHWMs to be calculated sooner than FY 2026 to provide better certainty for customers making Above-CHWM load service elections and planning for resources. Bonneville received comments from some parties stating Bonneville should calculate CHWMs prior to the offering of Provider of Choice contracts.

In the context of the proposed economic adjustment, Bonneville received differing requests to delay the CHWM calculation until late FY 2026 or FY 2027 to allow for a longer recovery period for specific qualifying loads to return. Some commenters making this request suggested Bonneville publish preliminary customer CHWMs that would provide better insight into the CHWM figures in advance of the final CHWM calculation.

Because of the interrelated nature of CHWMs among all PF customers, Bonneville has determined that it is critical to have signed contracts from customers prior to performing the CHWM calculation. Absent signed contracts in advance, Bonneville could not calculate CHWMs with certainty because changes in one customer's CHWM, or CHWM calculations at various times, would affect all other customer CHWMs. Bonneville will therefore sequence the CHWM calculation so that it will follow contract execution, which is planned for late 2025. Bonneville addresses the timing of Above-CHWM load service elections prior to the CHWM calculations being completed in Issue 92.

Considering whether the calculation would occur in FY 2026 or FY 2027, Bonneville shares the concerns of parties urging an earlier calculation date. In the interest of providing certainty for resource planning as early as possible, Bonneville will calculate customer CHWMs in FY 2026 as proposed in the draft Policy. Bonneville also understands the interest in preliminary CHWMs and will plan to update the CHWM Calculation Tool on an as-needed basis when there is significant new information to the CHWM calculation. For example, Bonneville will update the model and provide updated CHWM estimates with the release of the final Policy to reflect decisions made in the final policy and ROD. However, there will be components of the CHWM calculation that will not be updated prior to final CHWM calculations, such as weather normalized FY 2023 loads, economic adjustments for any specific retail loads, and any resources that may be eligible for resource removal determinations.

Issue 48: Should Bonneville use a single year for the index year and, if so, should the index year be FY 2023?

Policy Proposal

Bonneville proposed in Section 2.4.1.1 of the draft Policy to use FY 2023 as the index year to establish PF-eligible load used in the CHWM calculation.

Public Comments

WPAG supported Bonneville's "proposed framework for calculating new CHWMs for the Provider of Choice contracts using FY 2023 as the index year…." POC-045-WPAG.

NRU recognized "Bonneville's desire to use an earlier index year to facilitate more effective resource planning for those customers seeking to invest in non-federal resources for their AHWM load needs" and did not object to FY 2023 as the index year. NRU expressed "some concern with the use of a single year, as opposed to a period of years, given that doing so makes the requisite normalization and adjustment processes that much more important for all customers, especially for those experiencing load abnormalities in FY 2023." POC-031-NRU. Flathead expressed a concern that if FY 2023 is used as an index year it may create hardship for a particular Flathead consumer and suggested modification to the economic adjustment to address its concern. POC-034-Flathead. Bonneville addresses Flathead's proposed economic adjustment modification in Issue 50.

PNGC and OPALCO objected to the use of a "single test year a few years before the contract expires" as the index year. POC-046-PNGC; POC-013-OPALCO. PNGC asserted that the proposed index year will "signal BPA customers to purchase [power purchase agreement] contracts that expire a few years before the contract" and "will not promote long term resource investment and ownership." POC-046-PNGC.

Surprise Valley Electrification Corp. (Surprise Valley) urged Bonneville to adopt FY 2025 rather than FY 2023 as the index year, explaining that "[u]sing more contemporaneous data would better reflect the parties' actual understanding of load needs when new supply contracts are executed." Surprise Valley argued that Bonneville's proposed approach:

> (1) incorrectly suggests that using FY 2023 creates certainty when Bonneville will not perform the full CHWM calculations until FY 2026; (2) inaccurately characterizes under-calculating customers' PF-eligible load as a benefit to customers; (3) overlooks the benefits of retaining flexibility to respond to potential economic or technological changes; and (4) fails to balance the need for accuracy with the need for certainty. (POC-060-Surprise-Valley).

Surprise Valley suggested that using FY 2025 as the index year would provide Bonneville and customers with "a reasonable balance of accurate information and reliable resource planning assumptions." POC-060-Surprise-Valley.

Evaluation and Decision

Bonneville received mixed comments on its proposal to use FY 2023 as the index year. Bonneville believes that its proposal to use FY 2023 as the index year will provide planning certainty, instead of a year closer to FY 2029 when Provider of Choice power deliveries will begin. Bonneville also believes it will remove a potential disincentive for non-federal resource development or investments in conservation during the remainder of the Regional Dialogue contract period that may exist if Bonneville were to use a later index year.

Bonneville is not persuaded by PNGC and OPALCO's argument that use of an FY 2023 index year will be a disincentive for customers making non-federal resource investments. Bonneville believes that FY 2023 is a reasonable index year because it will provide customers with certainty and the opportunity to pursue a longer path to achieve resource development. Bonneville believes that using FY 2023 as the index year will allow customers the opportunity to leverage potential funding opportunities, including incentives under the Inflation Reduction Act, to pursue resource development during the remainder of the Regional Dialogue contract period.

Some commenters argue that Bonneville should use FY 2025 as the index year. Bonneville believes that using FY 2025 would not provide this same ability for customers to leverage funding to develop resources. FY 2025 would also introduce some uncertainty as it is not known what the economic conditions will be like and if it will be an anomalous year or not. If

Bonneville needed to make any adjustments, a process for adjustment would provide less certainty about CHWMs to customers than using FY 2023 as the index year.

Regarding the consideration of using a multiple year index period, Bonneville has determined that this would result in a more complicated CHWM calculation and would unnecessarily increase the administrative burden of establishing CHWMs. As for concerns with potential load abnormalities that may be introduced by using a single index year, Bonneville will weather normalize loads and has adopted a revised economic adjustment mechanism that will serve to adjust for significant, anomalous load reductions in FY 2023.

For the reasons described above, Bonneville will maintain its draft Policy proposal to use FY 2023 as the index year.

Issue 49: Should Bonneville include an economic adjustment to the PF-eligible load used in the Provider of Choice CHWM calculation? If so, how should it be defined?

Policy Proposal

In Section 2.4.1.2 of the draft Policy, Bonneville proposed to include an economic adjustment to increase TRL in the determination of FY 2023 PF eligible load in the CHWM calculation. The economic adjustment would allow customers to request a one-time increase to their TRL to account for economic impacts to an individual retail consumer load, excluding NLSLs, that is operating below the consumer's highest 12-month consecutive load for the period of FY 2019 through FY 2022 (historical high load). To qualify, the draft Policy proposed that a customer must have either: (1) a single retail consumer load that in FY 2023 was at least 10 aMW below its historical high load, or (2) the consumer's lost load in FY 2023 represented a 10% reduction of the customer's TRL relative to the highest 12-month consecutive TRL from FY 2019 through FY 2022.

Bonneville would determine the maximum economic adjustment amount by taking the difference between the historic high load and the consumer's FY 2023 load. Bonneville would monitor qualifying loads during FY 2024 and FY 2025 to establish the highest 12-month consecutive load, or recovery load. If the recovery load is greater than or equal to the historical high load, the customer would receive the maximum economic adjustment. If the recovery load was higher than its FY 2023 load but lower than its historical high load, the customer would receive a portion of the economic adjustment. If the recovery load was lower than its FY 2023 load, the customer would receive no economic adjustment.

Public Comments

No commenters opposed an economic adjustment. Several commenters suggested revisions to Bonneville's proposal in the following areas: historical high load period, minimum threshold to qualify, and recovery load period. In addition, some commenters requested a load-specific consideration be included.

Modern supported the adjustment given the importance for Bonneville to “address unforeseen circumstances” and given the “diverse array of customer situations.” POC-007-Modern. Raft River similarly argued for the importance of an adjustment that considers “unique situations” and historical “load patterns.” POC-017-Raft-River. PPC appreciated Bonneville’s proposal as it “is helpful to public power communities.” PPC also encouraged Bonneville to consider the comments submitted by the AWEC, NRU and WPAG on this issue. POC-029-PPC. AWEC, NRU and WPAG supported the adjustment and noted that they worked together to develop a joint set of proposed revisions.

AWEC proposed the following:

- Set the lookback period for identifying the highest 12-month average historical load to run from FY 2013 [through] FY 2022.
- Establish a minimum threshold for the maximum Economic Adjustment amount at 3 aMW of reduced load.
- Set the recovery period for identifying the highest 12-month average to run from FY 2024 [through] FY 2026.
- Move the CHWM calculation process to FY 2027. POC-050-AWEC.

Like AWEC, NRU supported extending the historical load window back to FY 2013, lowering the lost load threshold to “3 aMW or greater to capture load loss that is especially significant for small utilities,” and “extend[ing] the recovery period through the end of 2026.” POC-031-NRU.

WPAG appreciated and supported Bonneville’s inclusion of a “load-specific economic adjustment,” but noted that it is “concerned that the conditions that must be met to qualify for the economic adjustment under BPA’s proposal are too narrow… and will place the adjustment out of reach for many utilities.” WPAG, like NRU and AWEC, suggested Bonneville “decrease the aMW qualifying threshold to 3 aMW.” WPAG also suggested a historical “high load period to include FY 2012 through FY 2022.” Finally, WPAG suggested that Bonneville extend the recovery period “through March 31, 2026.” WPAG argued that “this would provide an additional six months for loads to recover compared to BPA’s proposal while also still allowing BPA to perform and complete the CHWM process in FY 2026 as proposed in the Draft Policy.” POC-045-WPAG.

A number of commenters supported Bonneville’s economic adjustment proposal and echoed elements of the comments from AWEC, NRU and WPAG. Mason 1 supported the proposed adjustment and asked that Bonneville “increase the recovery period to FY 2024 through FY 2026.” POC-061-Mason-1. Central Lincoln People’s Utility District (Central Lincoln) strongly supported the adjustment but argued that the “load loss threshold should be lowered to 3 aMW” and suggested that the historical high load period should “move from 2019 to 2013.” POC-011-Central-Lincoln. Wells Rural Electric Company (WREC) and McMinnville both supported the comments and suggestions submitted by NRU. POC-027-WREC; POC-015-McMinnville. EWEB supported AWEC’s proposal including a lower threshold of 3 aMW and a recovery period through FY 2026. POC-044-EWEB. International Paper supported the economic adjustment and the recommendations provided by AWEC and EWEB, namely "more pre-Covid years" in the historic high load period, a lower threshold of 3 aMW, and a recovery period through FY 2026. POC-043-International-Paper. Snohomish supported an economic adjustment and AWEC's suggestion to extend the recovery period through FY 2026. Snohomish also supported the suggestion for a "3 aMW threshold because it is reflective of the current environment and has broad regional support from trade associations and peer utilities." POC-033-Snohomish.

Public Utility District No. 1 of Cowlitz County (Cowlitz) strongly supported the proposed adjustment and emphasized the "unusual conditions prior to and during FY 2023" that drove considerable reductions in load. Such conditions included "abnormally high natural gas prices stemming from ongoing geopolitical conflicts, supply chain disruptions, high inflation, impacts from the COVID-19 global pandemic, and labor strikes." Cowlitz suggested a 3 aMW lost load threshold, a historical high load period back to 2012 to reflect more pre-Covid pandemic years, and a recovery period through FY 2026. Cowlitz also suggested that Bonneville "should consider including an option for the highest 6 consecutive month recovery load amount in the economic adjustment calculation, provided that the 6 consecutive month period be restricted to the last 6 months of FY 2026." POC-014-Cowlitz.

The Labor and Environmental Coalition supported the economic adjustment but argued that an adjustment or rate mechanism should also be available "for new large industrial loads that meet economic development and environmental criteria and labor standards." They suggested that Bonneville should accordingly "develop an open and transparent process for determining whether a project is eligible for an economic development rate or an economic adjustment." POC-016-Labor-Environmental. Bonneville addresses the question regarding an economic rate in Issue 19.

Bonneville also received a comment from Public Utility District No. 2 of Pacific County (Pacific) which supports an economic adjustment, but may not qualify for an adjustment under either Bonneville's proposal or the proposals suggested by AWEC, NRU and WPAG. Pacific described how their one and only large industrial customer had a labor strike that resulted in a temporary load loss of 0.5 aMW in FY 2023. Accordingly, Pacific requested that Bonneville consider expanding the criteria for "small, primarily residential serving utilities, that have only one large industrial customer with load loss in FY 2023 where the retail consumer's lost load represents a 10% reduction of the consumer's total retail load relative to the highest 12-month consecutive total retail load from FY 2019 to FY 2022 but not to exceed 1 aMW." Alternatively, Pacific appealed that Bonneville "view a documented labor strike in FY 2023 as a *force majeure* event for load loss and use the *consumer's* highest 12-month consecutive total retail load from FY 2019 to FY 2022." POC-058-Pacific.

Evaluation and Decision

Bonneville received strong support for including an economic adjustment and appreciates the collaboration among commenters to develop a joint set of suggested revisions. Commenters suggest revisions in three main areas: historical high load period, minimum threshold to qualify, and recovery load period. Bonneville remains committed to its original intent for the adjustment in considering these and other suggestions. The adjustment is meant to account for unique and abnormal conditions in FY 2023 that resulted in a significant, limited duration load loss where FY 2023 loads were not reflective of normal, current operating levels. Bonneville believes it is also important for any adjustment to not introduce unreasonable implementation complexities.

Regarding the historical high load period, Bonneville received comments that the proposed period is too short and would not capture higher operating loads that occurred earlier in the Regional Dialogue contract period. Bonneville also received feedback that in only going back to FY 2019, there would be just a single pre-COVID-19 pandemic year included in the historical high load period. When considering a longer historical high load period, Bonneville is concerned that earlier years may introduce load amounts that are not reflective of normal, current operations. For example, a historical high load period back to the start of the Regional Dialogue contract period may implicate loads and operations that could have fundamentally changed due to updated technologies, installed efficiency measures, or other factors. Bonneville is also concerned with the potential administrative complexities of validating load data for an extended historical high load period. However, Bonneville understands the interest to include more than one year prior to the COVID-19 pandemic for consideration. To balance these interests, Bonneville has updated the Policy to extend the historical high load period to include FY 2018 to provide an additional pre-COVID-19 pandemic year. This period also aligns with the historical load period Bonneville will use for weather normalization purposes, which should reduce concerns about adding administrative complexity that including additional historical years would introduce.

Bonneville received concerns that the proposed 10 aMW minimum threshold was too high and not accessible enough for customers, particularly smaller customers. Bonneville had also included that if a load represented 10% of a customer’s total load that it could qualify for the adjustment. This criterion was intended to make the adjustment more accessible to smaller customers. Bonneville weighed whether to reduce the minimum threshold to the 3 aMW as commenters requested. Reducing the minimum threshold could introduce a significant amount of unknown load, which could potentially affect the balance struck amongst the various calculation adjustments. In particular, it could significantly reduce, or eliminate, the proportional share adjustment. If the total load added pushed initial aggregate CHWMs higher than 7,250 aMW, the lower threshold could also be a potential cost driver for PF Tier 1 rates.

Although Bonneville believes reducing the threshold to 3 aMW may introduce significant load, Bonneville was concerned that few customers would be able to qualify under the 10 aMW threshold criteria originally proposed based on information provided by some commenters. As such, Bonneville believes it is reasonable to lower the minimum threshold from 10 aMW to 5 aMW. This change has been reflected in the final Policy. Bonneville does not know how big of an impact this shift will have, as customers must self-identify if they have a qualifying load, but believes this change will provide more equitable access to the adjustment regardless of total size. Bonneville will also retain the provision that if a load represented 10% of a customer's total load that if can qualify for the adjustment.

In considering the proposed recovery load measurement period Bonneville was not persuaded by commenters concerns that expecting loads to return by the end of FY 2025 is too short to accommodate the return of loads. As discussed in Issue 47, Bonneville maintains that completing CHWM calculations in FY 2026 is important for providing planning certainty to customers as early as possible. Bonneville will not calculate provisional CHWMs like it did for the Regional Dialogue contracts. Bonneville must ensure that it has all the data it needs to complete the calculation by FY 2026, therefore it is critical that the recovery period not extend into FY 2026. Accordingly, Bonneville will adopt its proposed FY 2024 through FY 2025 recovery period for the economic adjustment. Bonneville will also maintain its draft Policy proposal that the retained load amount will be based on the highest 12-month consecutive load during the recovery period, rather than a shorter high load period such as the highest 6-month consecutive load suggested by Cowlitz. Bonneville believes that a 12-month consecutive load amount will ensure that returning load has shown sustained returning operations. It also eliminates concerns that a load could be optimized, or run higher than long-term sustained operations, through shorter-term operations.

Considering the request from Pacific for a customized set of qualifying criteria, Bonneville declines to move forward with this utility-specific carve-out. Bonneville is concerned about creating such a utility-specific adjustment pertaining to a strike or other worker caused decrease in demand. The economic impact described by Pacific, while unfortunate it occurred during the index year, could happen in any year and introduces the potential for other irregular load changes that should be considered for adjustments.

Bonneville also declines to make the economic adjustment available for potential new large industrial loads that meet certain standards, as suggested by the Labor and Environmental Coalition. First, such loads may be determined NLSLs thus making such load if served by Bonneville ineligible for service at a PF rate, thus the load could not qualify for the economic adjustment. Second, the adjustment is for existing load and not a new load that neither existed nor was served during the applicable economic adjustment historical high load period.

Bonneville has updated the Policy to include an economic adjustment in the CHWM calculation as follows: (1) a 5 aMW lost load threshold or the consumer's lost load in FY 2023 represents a 10% reduction of a customer's TRL relative to the highest 12-month consecutive TRL from FY 2018 through FY 2022; (2) a historical high load period of FY2018 through FY2022; and (3) a recovery period of FY2024 through FY2025.

Bonneville believes that the revised Policy will make the economic adjustment more accessible by lowering the minimum threshold and providing an additional pre-pandemic year in the historical high load period, while ensuring data is available by FY 2026 to allow for planning certainty.

Issue 50: Should certain Flathead's Weyerhaeuser load qualify for an economic adjustment due to its use of the Offsite Green Exception/Offsite Renewables Exception?

Policy Proposal

In Section 2.4.1.2 of the draft Policy, Bonneville proposed to include an economic adjustment that would allow customers to request a one-time increase to their TRL in the CHWM calculation. The economic adjustment accounted for economic impacts to an individual retail consumer, excluding NLSLs, that in FY 2023 is operating below the consumer's highest 12-month consecutive load for the period of FY 2019 through FY 2022 (historical high load).

Public Comments

Flathead requested special consideration for the Weyerhaeuser NLSL considering that it receives PF service, up to 10aMWs, under the grandfathered Offsite Green Exception/Offsite Renewables Exception. The remaining load is served with a consumer-owned renewable resource. Flathead commented that the load experienced unforeseen load reductions and saw higher than average historical deliveries of its contract off-site renewable resource during the FY 2023 measurement period. This resulted in FY 2023 being "one of the lowest years of PF energy deliveries in a decade." Flathead explained that because the proposed economic adjustment to TRL excludes a customer's NLSL(s), it is not eligible for this adjustment. Flathead requested Bonneville provide a CHWM accommodation for its consumer load that receives the Offsite Green Exception/Offsite Renewables Exception. POC-034-Flathead.

Evaluation and Decision

Under Bonneville's February 2005 Policy for Power Supply Role for Fiscal Years 2007-2011 and its 2007 Long-Term Regional Dialogue Policy, Bonneville retired the Offsite Green Exception/Offsite Renewables Exception effective December 31, 2006. The Regional Dialogue Policy noted that customers that arranged for an off-site renewable to service an NLSL by December 31, 2006, would continue to receive benefits of PF rate service consistent with the terms of their contract. Flathead is the only customer with an NLSL (Weyerhaeuser formally known as Plum Creek) that took advantage of the opportunity to apply a green exception off-site renewable resource prior to the option being retired. This arrangement results in the NLSL being served partially by Bonneville's power customer with firm power purchased at the applicable PF rate and with energy supplied from the consumer's off-site renewable resource. Flathead, in coordination with Weyerhaeuser, navigated the complex terms of the agreement both during the Subscription and Regional Dialogue contract periods. Applying such a consumer-owned renewable resource by an NLSL incentivizes use of carbon-free energy.

However, the load remains an NLSL and but for the resource it would be served either by a dedicated resource used by Flathead to serve it or with firm power sold by Bonneville at the New Resource (NR) rate.

Under the agreement, Flathead serves its NLSL (the Weyerhaeuser plant) with firm power, up to 10 aMW, sold at the applicable PF Tier 1 rate with an ability to adjust both its firm power and non-federal renewable resource energy amounts applied to load on an annual basis. As noted in Flathead's comments, the consumer has used this feature to take advantage of acquiring qualifying renewable resources. It is also likely that the consumer adjusted its demand for PF-supplied energy to address unforeseen load changes related to economic challenges during the measurement window.

Bonneville evaluated the historical service, both PF and non-federal, for the Weyerhaeuser NLSL going back to FY 2012. Bonneville determined that its supply of PF energy was significantly lower in FY 2023, as stated in Flathead's comment. Bonneville also found that PF purchases have been lower going back as far as FY 2019. However, although the load was served in part by Flathead with firm power sold at a PF Tier 1 rate based upon the Offsite Green Exception/Offsite Renewables Exception, it does not affect the load's status as an NLSL. Bonneville explicitly stated in the Policy that the economic adjustment will not apply to "any load that is already, or becomes, an NLSL." Policy at 18. Bonneville explained that "[u]nder the Northwest Power Act, NLSLs are not part of a customer's 'general requirements' load, which receives service at the PF rate" *Id.* Bonneville will not include any NLSL as part of a customer's general requirements and accordingly will not provide a CHWM adjustment for the Offsite Green Exception/Offsite Renewables Exception. The load is an NLSL not eligible for the economic adjustment.

Even if the Weyerhaeuser load met the economic adjustment criteria, Bonneville will not provide a CHWM economic adjustment for the Weyerhaeuser load because it is an NLSL.

Issue 51: Should resources that were temporarily removed in FY 2023 be included in the CHWM calculation at their originally dedicated Exhibit A resource amounts?

Policy Proposal

In the draft Policy, Bonneville did not directly address how temporary resource removal in FY 2023 would impact the resource values included for dedicated resources in the CHWM calculation. Section 2.4.1.2 stated that Bonneville would deduct dedicated resources the customer used to serve its load during the index year from PF-eligible load. This would include all resources dedicated as existing or new resources as well as SNEER Exceptions.

Section 2.4.1.6 of the draft Policy stated that Bonneville would include a new specified resource adjustment that would add 50% of the aMW amount of new specified resources dedicated to load in FY 2023 to an eligible customer's Provider of Choice CHWM. New specified resources are resources listed in Section 2 of Exhibit A of a customer's Regional Dialogue contract that were first obligated to serve load after September 30, 2006.

Public Comments

Peninsula requested that Bonneville change its Policy to state that new, specified, dedicated resources under the Regional Dialogue contract that are temporarily removed during FY 2023 will "be treated as new, specified, dedicated resources under the POC policy, contracts and Public Rate Design Methodology, including in the calculation of the Provider of Choice CHWMs." Peninsula stated: "it is unacceptable to require that we utilize a Tier 2 resource to displace, and now serve, our Tier 1 load… What is more, because Peninsula Light's FY23 load is projected to be below its BP-2024 RHWM, applying both the headroom adjustment and treating Harvest wind as an existing resource would effectively double count the impacts of Peninsula Light not having Tier 2 load to serve, but a resource dedicated to serve it during the [Regional Dialogue] contract, in the calculation of its POC CHWM." POC-19-Peninsula.

NRU, with support from Mason 3, requested that Bonneville include the full resource values of new specified resources that were temporarily removed in FY 2023 in the new specified resource adjustment. NRU argued that "these customers made resource investments that reduced the Administrator's obligation to acquire resources … and yet they are precluded from realizing any CHWM adjustment benefit because their forecast AHWM load failed to materialize." NRU "strongly recommend[ed] that Bonneville adjust its proposed New Specified Resource Adjustment policy language to include those resources that, but for their temporary removal in accordance with the terms of Bonneville's 5(b)9(c) policy, would be listed in Section 2 of Exhibit A and dedicated to load in FY 2023." POC-031-NRU; POC-022-Mason-3.

Evaluation and Decision

Bonneville recognizes that the draft Policy did not specify the treatment of temporarily removed resources in the CHWM calculation. NRU and Mason 3 comment that their interpretation of the provision was that Bonneville did not intend to include temporarily removed new resources among those that would receive the new specified resource adjustment. Peninsula requests that Bonneville not include new, specified, resources dedicated under the Regional Dialogue contract that were temporarily removed in FY 2023 in the CHWM calculation.

Bonneville will include the full original dedicated resource amount of all dedicated resources regardless of whether they were temporarily removed in FY 2023. This includes all resource types including new, specified resources. Temporarily removed resources are not removed permanently from contracts. Such resources are only removed because in that fiscal year, the customer did not have sufficient Above-Rate-Period High Water Mark (Above-RHWM) load to be served by the originally dedicated resource amount. Therefore, consistent with the resource removal rights in the Regional Dialogue contract the customer removes its non-federal resource(s) from serving load, temporarily, while it continues using its supply of firm power from Bonneville. Thus, including temporarily removed resources in a customer's CHWM PF-eligible load calculation will reflect that such resources will be available to serve customer load and accordingly reduce the Administrator's obligation to serve such load after the Regional Dialogue contracts expire. Bonneville has clarified in the Policy how it will treat resources that are temporarily removed in FY 2023.

Bonneville also clarified in the Policy that in order to qualify for the new specified resource adjustment, a new specified resource must also be included in the PF-eligible load calculation. Bonneville will not provide a new specified resource adjustment for a non-federal resource that is not included in a customer's PF-eligible load calculation. The new specified resource adjustment is intended to recognize customer investments made during Regional Dialogue in support of the Regional Dialogue objective to encourage customer development of non-federal resources. Bonneville does not wish to preclude customers with resources that were temporarily removed in FY 2023 from this recognition while rewarding customers whose resources were not temporarily removed.

In the Policy, Bonneville included all FY 2023 dedicated resources in both the PF-eligible load calculation, including new specified resources and temporarily removed resources.

Issue 52: Should Bonneville include resources that will not generate after 2028 in the Provider of Choice CHWM calculation? When would Bonneville require resource removal be granted for a resource to be excluded from the Provider of Choice CHWM calculation?

Policy Proposal

In section 2.4.1.2 of the draft Policy Bonneville acknowledged that customers may, prior to the expiration of the Regional Dialogue contracts on September 30, 2028, and consistent with Bonneville's 5(b)9(c) Policy, request permanent removal of dedicated resources that served load in FY 2023. The draft Policy stated that interested customers must submit their request via a process ahead of or at the time of the Provider of Choice CHWM calculation. The draft Policy recognized that the resource removal must meet one of the statutory discontinuance criteria under the Northwest Power Act and the Administrator must approve the removal request. The draft Policy explained that if the Administrator grants a permanent resource removal, the resource would not be included in the CHWM calculation.

Public Comments

EWEB commented in support of "a CHWM calculation that excludes existing dedicated resources that meet statutory requirements for permanent removal prior to September 30, 2028." POC-044-EWEB. PNGC and OPALCO requested "clarification on the anticipated timeline for BPA notification regarding resource removal." POC-046-PNGC; POC-013-OPALCO. NRU suggested that "[i]nterested customers must submit their request via a process prior to the end of FY 2025, and the resource removal must be approved prior to the end of FY 2028." POC-031-NRU.

Peninsula went further and requested that Bonneville allow the exclusion of a resource from the CHWM calculation "if the contract obligation for that resource expires within 75 calendar months following September 30, 2028." POC-019-Penninsula.

Evaluation and Decision

Bonneville received no opposition to its proposed approach to address requests for statutory resource removal determinations that would take effect prior to the expiration of Regional Dialogue contracts. Bonneville will accordingly adopt the draft Policy's proposal to consider such requests via a consolidated process. Bonneville will provide customers, during the policy implementation and contract development phase, with additional information regarding the timelines and documentation that will be considered in the resource removal process.

Section 5(b)(1) of the Northwest Power Act provides that a customer may remove a dedicated resource and not receive a decrement to its net requirements if the use of that resource will be discontinued because of "obsolescence, retirement, loss of resource, or loss of contract rights." 16 U.S.C. § 839c(b)(1) (2022). Under the Regional Dialogue contract, customers have no obligation to apply unspecified resource amounts beyond the expiration of the contract. As stated in the draft Policy, Bonneville proposed that it would not deduct unspecified resource amounts dedicated to serve load in FY 2023 from a customer's TRL when calculating Provider of Choice CHWMs based upon a Regional Dialogue contract provision to that effect. Therefore, Bonneville maintained this Policy position.

Similarly, if the Administrator grants a permanent resource removal because a resource will not serve load beyond the Regional Dialogue contract period, then Bonneville will not include such specified resource as a deduction from a customer's TRL when calculating Provider of Choice CHWMs. Bonneville intends to work with customers to develop the details for the resource removal process, including timelines and how the process will work within the broader public process for finalizing CHWM calculations. Bonneville will finalize all associated customer resource amounts, including any resource removal determinations by January 2026.

Resources that are less than 1 MW will not need to apply for resource removal based on the policy to raise the non-federal minimum threshold for resources tracked in the Provider of Choice contract, as described in Section 2.3.3.2 of the Policy. Bonneville will also not include these resources in the Provider of Choice CHWM calculation.

Bonneville acknowledges Peninsula's request for an extension of this treatment for resources that will serve load for a limited period beyond the expiration of the Regional Dialogue contracts. However, many customers' specified resources have various expiration timelines during the Provider of Choice contract period. Bonneville believes that establishing any date beyond September 30, 2028, for resource removals to be considered in the CHWM process would be potentially unfair to other customers. In the Policy, Bonneville will maintain its position to exclude resources that are granted a resource removal determination through the resource removal process from the CHWM determination.

Issue 53: Should Bonneville exclude the Western Area Power Administration (WAPA) Blackfeet Nation (Blackfeet) tribal allocation (WAPA resource) from Glacier Electric Cooperative’s (Glacier) CHWM calculation?

Policy Proposal

The draft Policy did not identify or propose a different treatment for the WAPA resource for Glacier.

Public Comments

Glacier commented that it has “a contract with the Blackfeet Nation to pass through power from WAPA to the Blackfeet through the Pick Sloan Act.” When WAPA’s costs are greater than Bonneville’s, the Blackfeet would not take the WAPA resource and would instead purchase power from Bonneville. In some past years, primarily due to drought adders, the Blackfeet have denied the WAPA resource due to the higher power costs. Glacier requested that their CHWM not include the WAPA resource because it would be detrimental for the Blackfeet to be required to purchase power at a PF Tier 2 rate. POC-005-Glacier.

Evaluation and Decision

Bonneville did not distinguish between any specific resources in deducting existing resources to determine PF-eligible load in Section 2.4.1.2 of the draft Policy. Based on Glacier’s Regional Dialogue contract Exhibit A, the WAPA resource (added in FY 2018) would be an existing resource for the purpose of calculating Glacier’s Provider of Choice CHWM. Based on the draft Policy, Glacier’s CHWM would be reduced by the resource amount in the same manner as all other existing non-federal resources. Glacier requested the resource not be included in the CHWM calculation. Bonneville interprets this to mean that the WAPA resource should be excluded from the CHWM calculation.

The WAPA resource is contracted to the Blackfeet through the Pick Sloan Act provided by WAPA Upper Great Plains District (UGP) through 2050. The economic benefit associated with the resource allocation requires that it be directed to the Blackfeet. Glacier’s role is to administer the financial benefit to Blackfeet low-income earners and elders through monthly bill credits. The inclusion or removal of the resource is determined by the Blackfeet when the cost of the WAPA allocation provides a benefit or when the resource cost exceeds Bonneville’s PF Tier 1 rates.

The utility and non-tribal members receive no benefit from this resource arrangement. Similar to a Public Utility Regulatory Policies Act (PURPA) resource, the utility does not get to choose whether or not to apply a resource to load. Different from a PURPA resource, the utility has no control over the cost or benefits, nor whether the resource is applied. The application of the WAPA resource can change as often as annually depending on the WAPA UGP energy rate.

Furthermore, as a federal agency, Bonneville is obligated to maintain the government's general tribal-trust relationship and Bonneville's Tribal Policy. Bonneville's Tribal Policy states: "[Bonneville] recognizes that a trust responsibility derives from the historical relationship between the federal government and the tribes as expressed in Treaties, Statutes, Executive Orders, and Federal Indian case law." BPA Tribal Policy: It's about trust at 4 (July 2016).[29] In this instance, it is reasonable to acknowledge past treatment and to consider similar treatment for the WAPA resource when calculating Glacier's Provider of Choice CHWM.

At the beginning of the Regional Dialogue contract, the WAPA UGP rate was higher than the PF Tier 1 rate. The Blackfeet received no benefits from the allocation until FY 2018 when the WAPA UGP rate dropped below the PF Tier 1 rate. From FY 2018 through the measurement period year of FY 2023, the WAPA resource was applied to Glacier's load. As long as the WAPA resource is applied to load, it reduces the Administrator's obligation. In years when the resource is not applied, Glacier, and by extension, the Blackfeet are protected by the additional CHWM headroom. The approach taken during the Regional Dialogue contract was consistent with prior treatment of the resource under the Subscription contract. The WAPA resource was recognized for its uniqueness and referenced in the Regional Dialogue Final Policy. Long-Term Regional Dialogue Final Policy at 14 (July 2007).[30]

In Exhibit A of Glacier's Regional Dialogue contract, the utility may request removal of the resource on a calendar year basis. If at some time during the contract period the WAPA resource annual cost is greater than PF Tier 1 rates, then the Blackfeet may request the removal of the resource for the upcoming calendar year. Bonneville agrees that if the resource is not excluded from the Provider of Choice CHWM calculation and the Blackfeet Nation were to reduce or terminate the purchase agreement, then Glacier would be subject to PF Tier 2 rates, assuming Glacier elects a Tier 2 service option to serve Above-CHWM load. Treating the WAPA resource as an existing resource could result in a double impact to the Blackfeet of losing the bill credit and also being subject to potentially higher energy cost via Glacier's purchasing from Bonneville at a PF Tier 2 rate. This was not the intended outcome.

For the reasons stated above, Bonneville will exclude the WAPA resource from Glacier's CHWM calculation.

Issue 54: Should Bonneville adopt the proposed CHWM calculation base allowance?

Policy Proposal

In Section 2.4.1.3 of the draft Policy, Bonneville proposed to begin the Provider of Choice CHWM calculation with a base allowance from which all adjustments are added or subtracted.

[29] Available at https://www.bpa.gov/-/media/Aep/about/tribal-affairs/tribal-policy-brochure.pdf.
[30] Available at https://www.bpa.gov/-/media/Aep/power/provider-of-choice/07-19-07-rd-policy.pdf.

The draft Policy proposed that a customer's base allowance would be equal to its Rate-Period High Water Mark (RHWM) established in the 2024 RHWM process.

Public Comments

NRU had no objection to the proposed language in the draft Policy. POC-031-NRU.

Evaluation and Decision

As discussed in the draft policy, Bonneville conducted a public process in FY 2022 to propose a change to how Bonneville evaluates critical, or firm, water. Bonneville adopted the firm P10 to define the firm output of the FCRPS. In the draft Policy, Bonneville proposed to use 2024 RHWMs, and a FY 2023 index year. Bonneville proposed to use the 2024 RHWMs, instead of 2022 RHWMs because they take into account the updated firm monthly P10 methodology. Bonneville continues to believe it is prudent to use the 2024 RHWMs as the base allowance when setting new CHWMs.

Bonneville received "no objection" for this treatment from NRU and received no opposition from any other party. Accordingly, Bonneville will maintain the base allowance proposed in the draft Policy.

Issue 55: Should Bonneville include a headroom adjustment in the CHWM calculation?

Policy Proposal

In Section 2.4.1.4 of the draft Policy, Bonneville proposed a headroom adjustment to customers whose PF-eligible load is lower than their base allowance. To determine the headroom adjustment, Bonneville would subtract the difference from the base allowance so that a customer's starting point would be its PF-eligible load in the index year.

Public Comments

NRU, WPAG and Grant supported the proposed headroom adjustment. POC-031-NRU; POC-045-WPAG; POC-012-Grant. AWEC was "sympathetic to the impacts that the headroom adjustment will have on utilities that have diligently worked to keep loads flat or declining, and strongly supports the adjustments for Conservation and New Specified Resources." POC-050-AWEC. Inland took a different view and asserted that "[t]he residential load shift from affluent areas to rural and more impoverished areas is not recognized in the headroom adjustment, giving other preference utilities the right to future load growth despite shifting to rural areas." POC-001-Inland. PNGC noted that the headroom adjustment represents a cost shift. POC-046-PNGC.

Evaluation and Decision

Bonneville's draft Policy proposed the headroom adjustment to effectively remove headroom to the extent that a customer's base allowance exceeds its PF-eligible load in the index year. In response to Inland's comment, Bonneville clarifies that the headroom adjustment makes no distinction between customers and does not preserve headroom in any way for any customer or class of customers. As discussed in the draft Policy, a customer could have such headroom for various reasons such as load loss or conservation achievements.

Bonneville does not have a statutory or contractual obligation to preserve headroom that exists under Regional Dialogue. Bonneville maintains that headroom should only exist when establishing CHWMs for the Provider of Choice contracts if there is a policy driver behind it, such as to recognize conservation achievements or non-federal resource development. Under the tiered rate construct, Bonneville continues to believe the FY 2023 index year and FY 2024 RHWM base allowance will be the appropriate points from which load growth should be measured to ensure customers receive appropriate PF Tier 1 and PF Tier 2 price signals. As noted by AWEC, the extent to which a customer may preserve headroom would depend on other CHWM adjustments such as the conservation adjustment or new specified resource adjustment.

Bonneville received general support for the headroom adjustment. Accordingly, Bonneville will maintain the headroom adjustment proposed in the draft Policy.

Issue 56: Should Bonneville change its proposed CHWM conservation adjustment?

Policy Position

In Section 2.4.1.5 of the draft Policy, Bonneville proposed to include a conservation adjustment for eligible customers. The adjustment would increase a customer's Provider of Choice CHWM by an amount equal to 50% of its self-funded conservation achievements approved by Bonneville from FY 2012 through FY 2023. This adjustment was limited to self-funded conservation that meets the eligibility and reporting requirements of the Bonneville Energy Efficiency Implementation Manual (IM) as incorporated by the ECA.

Public Comments

Springfield Utility Board (Springfield), Benton PUD, and EWEB commented in support of Bonneville's proposal. Springfield "[understood] BPA's methodology, and appreciate[s] prioritization of self-funded conservation allowing small utilities to preserve headroom." POC-036-Springfield. Benton PUD noted the proposed adjustment is a "reasonable compromise in helping determine CHWM." POC-051-Benton-PUD. EWEB stated that the proposed adjustment reflects "commitment to the Regional Dialogue construct and intent for energy efficiency, treatment of energy efficiency as a valued resource, support for BPA's energy efficiency obligations, and need to incentivize future resource development." POC-044-EWEB.

AWEC supported Bonneville's proposal as long as it ensures "customers who have done the right thing by investing in conservation to slow their load growth not be penalized from contract to contract by losing the ability to meet customer needs with low-cost Tier-1 power." POC-050-AWEC.

Snohomish, Tacoma, Seattle, Yakama Nation, the Labor and Environmental Coalition, and the Oregon and Washington members of the Council[31] argued the 50% adjustment is insufficient.

Snohomish described the proposed adjustment as "tolerable," but asserted the Policy equally incentivizes load growth and self-funded conservation. Snohomish stated that the "policy choice will be expected to negatively effect conservation economics across the term of the Post-2028 contract." POC-033-Snohomish.

Tacoma argued Bonneville's proposal may deter future investments in conservation as Tacoma had created headroom under its current CHWM with the intent of using that headroom to meet future load growth. Tacoma stated future determination of whether or not to invest in conservation will need to "account for the fact that investment could simply be confiscated again under CHWM reset scenarios in future contracts." POC-042-Tacoma.

Seattle suggested that recognizing only 50% of self-funded conservation is insufficient and may jeopardize future utility-funded conservation. Seattle City Light stated:

> "[W]e continue to be concerned that this approach would not include credit for certain forms of energy efficiency (EE) savings that are not reported to BPA, even though such energy conservation achievements are otherwise reported to, and recognized by, the Washington State Auditor's Office and Northwest Power and Conservation Council." POC-039-Seattle.

The Labor and Environmental Coalition suggested that Bonneville should "give customers full credit for audited self-funded energy efficiency achieved under the Regional Dialogue contracts." The Labor and Environmental Coalition stated Bonneville's proposal is "antithetical to the intent of the Northwest Power Act and BPA's own stated strategic goals to devalue customers' conservation investments when the agency is relying on those investments to keep rates affordable and meet its obligations under the Northwest Power Act and the 2021 Northwest Power Plan." They also stated that it risks dis-incenting conservation and having more load obligation placed on Bonneville, which in turn could affect Bonneville's long-term financial health. POC-016-Labor-Environmental.

The Oregon and Washington members of the Council recommended that Bonneville use a "100 percent adjustment for self-funded conservation achieved by utilities from FY 2012 through FY 2023." They cited the role conservation has played in serving load growth as well as Bonneville's requirements to acquire conservation consistent with the Council's program. They commented that "all cost-effective energy efficiency that has been added or will be added

[31] The Oregon and Washington members of the Council include Ginny Burick (Oregon), Louis Pitt (Oregon), KC Golden (Washington), and Thomas L. (Les) Purce (Washington).

effectively stretches the value of the existing system and reduces the need to invest in more expensive resources, whether by Bonneville or its customers." POC-062-Council-OR-WA.

Seattle, Snohomish, and the Oregon and Washington members of the Council specifically identified Northwest Energy Efficiency Alliance (NEEA) savings directly funded by customers as appropriate for credit. Seattle argued that NEEA is already recognized by Bonneville as a reliable source of conservation savings so it should be included in the conservation adjustment. Seattle believed that including NEEA savings supported meeting Bonneville's goals to provide flexibility to invest and integrate non-federal resources as well as supporting national and regional objectives. Seattle stated the current approach "neglects non-reportable EE achievements that benefit the region." POC-039-Seattle. The Oregon and Washington members of the Council noted that Bonneville relies on NEEA savings in much the same way it relies on self-funded programmatic savings and suggests a 100% credit for self-funded NEEA savings. POC-062-Council-OR-WA. Snohomish also noted the importance of NEEA savings in the region's conservation achievements and proposed a 100% credit for self-funded NEEA savings. POC-033-Snohomish.

Evaluation and Decision

Bonneville understands that there is a diversity of perspectives on how much self-funded conservation credit should be given in the CHWM calculation, and what types of conservation should be considered within this adjustment.

Bonneville will maintain its proposed level of credit for self-funded conservation. Providing a 50% credit for reviewed and approved self-funded conservation strikes an appropriate balance that acknowledges the value of the resource created independently by some customers while also recognizing that there were many motivations for implementing self-funded conservation. Additional motivations include state requirements, offsetting demand on utility-owned resources, and specific service territory needs. It is also worth noting that many utilities—typically smaller, more rural utilities—have limited ability to implement proportionally significant conservation. Customers with limited commercial and industrial load and fewer measure opportunities may have found it impractical or cost prohibitive to achieve a level of conservation proportional to larger, more urban utilities.

The risk that the decision to credit 50% self-funded achievements would disincentivize future self-funded conservation is speculative. It assumes that customers will choose not to self-fund conservation during the Provider of Choice contract period in order to have a higher CHWM in the future. Customers may also continue to be subject to local regulations that require conservation achievements independent of Bonneville. It is also important to note that Bonneville's decisions regarding Provider of Choice contracts are not binding on future contract offerings.

Bonneville will, however, update its proposed policy regarding what types of conservation is considered within the adjustment to treat utility-funded NEEA savings in a manner consistent with other reported and approved self-funded savings. Bonneville relies on NEEA savings to meet its resource needs and fulfill its Northwest Power Act obligations. NEEA savings are evaluated and validated to a sufficient degree to justify significant Bonneville funding. Including customer-funded NEEA savings is consistent with the rationale Bonneville has used defining which savings it will accept in the CHWM calculations, namely savings that Bonneville can evaluate and verify. Including utility-funded NEEA savings in the conservation adjustment will provide a 50% CHWM credit for the savings attributable to each direct funder from CY 2012 through CY 2023 proportional to each utility's annual direct funding share.

Bonneville has updated Section 2.4.1.5 of the Policy to reflect this decision by including the following:

> The second type of self-funded conservation that will qualify is self-funded Northwest Energy Efficiency Alliance (NEEA) savings. Bonneville is a direct funder of NEEA and relies on the conservation NEEA invests in to achieve its goals as outlined in Bonneville's Resource Program and the Council's power plan. Bonneville relies on NEEA savings to meet its resource needs and fulfill its Northwest Power Act obligations. NEEA savings are evaluated and validated to a sufficient degree to justify significant Bonneville funding. Bonneville will include customer's self-funded NEEA savings proportional to each direct funding utility's annual funding percentage of the annual regional total savings reported by NEEA. Bonneville will include calendar year savings for CY 2012 through CY 2023, as the NEEA reporting cycle does not align to Bonneville's fiscal year.

Policy § 2.4.1.5.

Beyond the inclusion of utility-funded NEEA savings, Bonneville will maintain its proposal on what conservation qualifies for inclusion in the conservation adjustment. Bonneville's conservation program is intended primarily to acquire resources that enable reliable, economic load service. Bonneville acknowledges that many of its customers pursue activities within their service territories independent of Bonneville's conservation program. However, since Bonneville relies on the conservation resource it acquires to meet its load obligations, it is imperative that Bonneville can verify the reliability of the resource when it is acquired and evaluate its performance over time. Conservation not reported to Bonneville cannot be reviewed, its contribution to Bonneville's resource needs cannot be assessed, and its performance over time cannot be evaluated.

Issue 57: Should Bonneville credit self-funded conservation to the PF-eligible load in lieu of the conservation adjustment?

Policy Proposal

Section 2.4.1.5 of the draft Policy proposed that Bonneville would include a conservation adjustment in the CHWM calculation to add 50% of self-funded conservation achievements approved by Bonneville from FY 2012 through FY 2023 to a customer's CHWM. Bonneville would include self-funded conservation that meets the eligibility and reporting requirements of the IM as incorporated by the ECA. Bonneville noted that Section 18.1.2.1 of the Regional Dialogue contracts requires reporting of cost-effective self-funded savings.

Public Comments

Seattle proposed that if Bonneville did not create a more inclusive definition of what qualifies for the conservation adjustment that it should provide an additional conservation credit for non-reportable savings to the PF-eligible load calculation. Under Seattle's proposal, Bonneville would create an adjustment that increases the PF-eligible load in the CHWM calculation. The adjustment would be for non-reportable conservation achieved between FY 2012 and FY 2023 that was not reported to Bonneville but was reported to the Council or the State of Washington as well as NEEA if those savings are not counted in the conservation adjustment. This would then flow through the CHWM calculation, which would allow a utility to either retain more of its base allowance through a reduction in its headroom adjustment or qualify for the load growth adjustment. POC-039-Seattle.

Seattle suggested that the non-reportable savings reduced its load that may have otherwise qualified for the load growth adjustment. Seattle argued that these savings have been accepted by other organizations and therefore should be recognized in the CHWM calculation. POC-039-Seattle.

Evaluation and Decision

Bonneville addressed why it will not include non-reportable savings under Issue 56. Therefore, this evaluation addresses whether Bonneville should make a conservation adjustment to the PF-eligible load calculation in addition to the conservation adjustment in the CHWM calculation.

The PF-eligible load calculation will be based off actual loads and Exhibit A resource amounts as included in customers' contracts. Therefore, it does not make sense to include non-reportable savings in the PF-eligible load calculation because it is neither an actual load nor an amount included in contracts. In order to ensure that the weather normalization process is as accurate as possible, Bonneville will need to ensure any changes can be matched with actual load data. Because Bonneville cannot measure what load would have occurred in absence of non-reportable conservation achievements and cannot confirm the non-reportable savings, it is not appropriate to include in the PF-eligible load calculation.

Therefore, Bonneville declines to make an additional conservation adjustment to PF-eligible load.

Issue 58: Should Bonneville increase the new specified resource adjustment to 100%?

Policy Proposal

In Section 2.4.1.6 of the draft Policy, Bonneville proposed a new specified resource adjustment that would add 50% of the aMW amount of new specified resources dedicated to load in FY 2023 to an eligible customer's Provider of Choice CHWM. New specified resources refer to a customer's resources listed in Section 2 of Exhibit A of its Regional Dialogue contract that are identified as "new." These are resources that were first obligated to serve load after September 30, 2006. One goal of Bonneville's Regional Dialogue Policy was to encourage non-federal resource development. The new specified resource adjustment recognizes that customers accomplished a Regional Dialogue policy goal by investing in new specified resources that continue to apply to load after the Regional Dialogue contracts expire.

Public Comments

Several commenters stated they support the 50% new specified resource adjustment as proposed in the draft Policy. POC-022-Mason-3; POC-044-EWEB; POC-045-WPAG; POC-050-AWEC; POC-080-WA-DOC. Mason 3, EWEB and WPAG commented that including an adjustment any higher than 50% would shift costs to customers who currently have headroom and cautioned Bonneville not to increase the adjustment percentage. POC-022-Mason 3; POC-044-EWEB; POC-045-WPAG. NRU and Flathead commented on the importance of maintaining parity between the new specified resource adjustment and the conservation adjustment. POC-031-NRU; POC-034-Flathead.

A number of commenters recommended changing the adjustment. Idaho Falls, Idaho Consumer Owned Utilities Association (ICUA), Lower Valley Energy (Lower Valley) and PNGC requested that the new specified resource adjustment be raised to 100%. POC-003-ICUA; POC-040-Idaho-Falls; POC-082-Lower-Valley; POC-046-PNGC. ICUA stated that "while energy efficiency measures only have an average of a 12-year life, actual generating resources have a life equal to the lifespan of the generation asset. 50% makes sense for energy efficiency but not actual generation developed." POC-003-ICUA. The AHWM Group and ICUA stated that they feel that an adjustment of 50% dis-incents new resource investments before the Provider of Choice contract period. POC-024-AHWM-Group; POC-003-ICUA. Lower Valley commented that the financial impact is significant for those customers that developed resources, these resources helped reduce the region's carbon footprint, and they should be eligible for a 100% credit. POC-082-Lower-Valley.

NRU, Flathead, the AHWM Group and Fall River Rural Electric Cooperative (Fall River) all commented that preference customers should not lose access to power at a PF Tier 1 rate by investing in non-federal resources. POC-031-NRU; POC-034-Flathead; POC-024-AHWM-Group; POC-035-Fall-River. NRU requested that Bonneville ensure "the forthcoming 5(b)9(c) policy update provides clarity and certainty for customers seeking to integrate non-federal resources without sacrificing their Tier 1 CHWM eligibility in future contracts." POC-031-NRU.

McMinnville requested that because their contract to purchase from the Riverbend Landfill gas plant will expire so early in the Provider of Choice contract period (June 2030), they would like to receive a 100% new specified resource adjustment. McMinnville did not comment on the new specified resource adjustment as it applies to other customers. POC-015-McMinnville.

Evaluation and Decision

Many commenters weighed in on whether Bonneville should include a new specified resource adjustment in the CHWM calculation and what percentage that adjustment should be. Commenters have a variety of opinions regarding the value of resource investments during Regional Dialogue, with several commenters supporting the draft Policy proposal to include a new specified resource adjustment set at 50%. A number of commenters request that Bonneville raise the new specified resource adjustment to 100% or remove new specified resources from the CHWM calculation entirely.

The policy intent behind the new specified resource adjustment and the conservation adjustment is to recognize the investments made by customers to support the Regional Dialogue goals of investing in non-federal resources and conservation. Customers that invested in new specified resources and/or conservation met this objective and reduced the Administrator's obligation. Bonneville acknowledges ICUA's observation that resource investments may have a longer lifespan than conservation adjustments. ICUA's perspective is that they should therefore be recognized with a higher adjustment percentage. Bonneville has determined that a new specified resource adjustment of 50% maintains a balance between recognizing important customer investments made during Regional Dialogue and preserving incentives for customers to plan for and manage their own load growth. Bonneville believes it is important that the conservation and new specified resource adjustments remain in parity as they acknowledge similar policy achievements.

Some commenters argue that if Bonneville did not include a 100% adjustment that including new specified resources in the CHWM calculation will be a dis-incentive to invest in non-federal resources under Provider of Choice. Bonneville's new specified resource adjustment acknowledges customers who invested in real, specified non-federal resources but also must balance the new specified resource adjustment with the intent of tiered rates and Bonneville's requirement to serve load net of non-federal resources. Increasing the adjustment to 100% would dull the price signal that tiered rates are intended to create. An increased adjustment could provide headroom or significantly reduce existing Above-CHWM exposure, which may reduce the incentive to develop non-federal resources going forward.

The question of whether to include new specified resources in the CHWM calculation, as raised by comments from NRU, Flathead, the AHWM Group and Fall River, is addressed in more detail in Issue 52. Bonneville has determined that it is reasonable to include new specified resources in both the PF-eligible load calculation and the new specified resource adjustment.

McMinnville requested that because their resource will expire early in the Provider of Choice contract period that they be granted a 100% adjustment. Bonneville will treat all new specified resources the same regardless of when they are expected to expire. Bonneville will determine individual customer resource values during the calculation of individual customer CHWM values.

Bonneville will maintain the new specified resource adjustment at 50%.

Issue 59: Should Idaho Falls Power's (Idaho Falls) resource, the Bulb Turbine Project (Bulb Turbines), be eligible to receive the new specified resource adjustment as part of the Provider of Choice CHWM calculation?

Policy Proposal

In Section 2.4.1.6 of the draft Policy, Bonneville proposed a new specified resource adjustment that would add 50% of the average megawatt amount of any new specified resources dedicated to load in FY 2023 to an eligible customer's Provider of Choice CHWM. The draft Policy explained that new specified resources, as defined under Regional Dialogue, are resources listed in Section 2 of Exhibit A that were first obligated to serve load after September 30, 2006.

Public Comments

Idaho Falls requested that Bonneville treat the Bulb Turbines resource as a new resource for purposes of the new specified resource adjustment. Idaho Falls stated the Bulb Turbines have a unique history and they were first dedicated to serve load in 2016. Idaho Falls commented that the construction of the Bulb Turbines and the sale to Bonneville of generation from the project until 2016 provided decades of financial benefit to public power due to reduced transfer costs.

Idaho Falls indicated that since the Bulb Turbines were never designated to serve load, they did not reduce Idaho Falls' net requirements or its access to power priced at a PF Tier 1 rate. Idaho Falls stated that Bonneville and Idaho Falls could not agree on pricing for the second five-year term of the power purchase agreement when it came time to renew the price of purchasing the output. Therefore, Idaho Falls made a decision to no longer sell the output to Bonneville, and instead, based on projections of increasing load growth, "use the output to serve *our soon to be* above rate period high water mark load."

Idaho Falls asserts that providing the new specified resource adjustment for the Bulb Turbines "fits the spirit since it was a new resource in 2016 to Idaho Falls Power and the reasonable assumption was dedicating this resource to serve our load would not result in a loss of access to federal Tier 1 power that we currently have in the Regional Dialogue contract." Idaho Falls commented that providing the new specified resource adjustment causes no measurable harm to other customers but has major impacts to Idaho Falls. POC-040-Idaho-Falls.

Evaluation and Decision

Bonneville acquired the generation from the Bulb Turbines from 1982, at the start of operation of the project, through FY 2016. During that period, the generation was part of the Bonneville system resource stack that served PF loads and specifically benefited loads in Southeast Idaho by lowering wheeling and other ancillary costs. As the market changed and Idaho Falls projected load growth, it was reasonable and prudent for Idaho Falls to apply the resource to serve load when the power purchase agreement with Bonneville terminated at the end of FY 2016.

Prior to FY 2017, the Bulb Turbines were listed in Idaho Falls' Regional Dialogue contract under Section 6 of Exhibit A as a resource not serving load. In 2016, Bonneville sent a letter to Idaho Falls stating that Idaho Falls' application of the Bulb Turbine output to serve its load was an existing resource effective on October 1, 2016, and that application would reduce Idaho Falls' net requirements. Letter from Garry Thompson to Jackie Flowers, Idaho Falls Power General Manager (Sept. 16, 2016) (on file with author). The letter explained that the Bulb Turbine Project had been identified in multiple power contracts since 1980 and has "twice been designated by Idaho Falls as a 5(b)(1) Specified Resource applied to its load under Idaho Falls' 1981 Contract and Subscription Contract. Only BPA's continued purchase of the Bulb Turbine Project output foreclosed that application." *Id*.

On October 1, 2016, the resource was moved from Section 6.1 of Exhibit A to Section 2.1 and was listed as a 5(b)1(B) existing resource in Idaho Falls' Regional Dialogue contract. Idaho Falls' net requirements was also reduced by 11.528 aMW. Idaho Falls' Regional Dialogue CHWM remained unchanged at 80.743 aMW. As noted in Idaho Falls' comment, the utility was forecasting load growth and has since grown into the headroom created by applying the Bulb Turbines to serve their retail load. Applying the Bulb Turbines and offsetting their CHWM load was unique considering Bonneville's Regional Dialogue Policy only allowed the application of new non-federal resources to serve existing Above-RHWM load not the ability to displace their Tier 1 take-or-pay obligation. Because the Bulb Turbines had been previously defined as an existing resource, it was appropriate to allow the displacement of Tier 1 eligible load and adjust Idaho Falls' net requirements lower. If Bonneville had defined the Bulb Turbines as a new resource, it would have resulted in a decrement, reducing Idaho Falls' access to the amount of displaced firm power sold at the PF Tier 1 rate. At that time, Idaho Falls had only a small amount of Above-RHWM load. It is important to note that when Idaho Falls applied the Bulb Turbines to serve its retail load, Bonneville no longer purchased the output and therefore removed the Bulb Turbines from the resource/cost pool reflected in and recovered by the PF Tier 1 rate.

Due to the unique history of this resource, Idaho Falls requested for Bonneville to extend the new specified resource adjustment to Idaho Fall's Bulb Turbines resource. There are three concerns in granting the resource adjustment in this specific case.

First, the resource is listed as an existing resource. It is not designated as a new resource in Exhibit A of Idaho Falls' Regional Dialogue contract. While the new specified resource adjustment was not a consideration in 2016, the history of the Bulb Turbines as a 5(b)1(B) resource that has been in existence since the early 1980's supports the existing resource designation. Idaho Falls did not dispute the Bulb Turbines being listed as an existing resource when the utility took the resource to load in FY 2017. Idaho Falls accepted the Bulb Turbines as its own resource in FY 2017, agreeing contractually that it was an existing resource under its Regional Dialogue contract. This action followed Idaho Falls being advised by Bonneville that since the Bulb Turbines is a hydroelectric resource, if it wasn't purchased by Bonneville, the project output amount not purchased by Bonneville would be a 5(b)(1)(B) resource under the Northwest Power Act based on the prior contract notices sent to Bonneville. Further the resource would be subject to section 3(d) of the 1964 Northwest Preference Act, governing the customer's use and sale of hydro power outside the region that could otherwise have been reasonably conserved and kept available for the customer's own use to supply its own needs. If a customer with hydro power sells it out of the region in contravention to section 3(d), Bonneville may only sell surplus as replacement power. *See* 16 U.S.C. § 837(b)(d) (2022).

As noted, prior to FY 2017, Bonneville purchased the output of the Bulb Turbines and included this resource as part of its Tier 1 resources. Even though its actual generation remained within Idaho Falls distribution system meeting its local retail demand, Idaho Falls received a higher net requirement load. In 2016, when Idaho Falls and Bonneville did not reach agreement on the terms to extend the power purchase sale for another five years, Idaho Falls dedicated the resource to serve load as an existing resource. This was consistent with the 2016 letter from Bonneville to Idaho Falls that stated: "BPA finds and agrees that Idaho Falls must apply its Bulb Turbine Project output as an Existing Resource to its retail load commencing on October 1, 2016 and that application will reduce Idaho Falls' Net Requirement load . . .." Letter from Garry Thompson to Jackie Flowers, Idaho Falls Power General Manager. Since FY 2017, the Bulb Turbines has been listed as an existing resource in Idaho Falls' Regional Dialogue contract.

Second, the application of the resource to serve Idaho Falls' load did not reduce the Administrator's obligation to serve load because the resource was also removed from Bonneville's Tier 1 resources. By applying the resource to Idaho Falls' load and removing the resource from Bonneville's resource stack, the Administrator's obligation to serve load did not change. The net effect of the change was zero. As noted above, with the 11.528 aMW of headroom created by applying the resource to serve load, Idaho Falls was able to grow back into its CHWM over time. Providing a 50% new specified resource adjustment would provide an additional benefit to Idaho Falls that was not intended under the draft Policy. This benefit would only apply to Idaho Falls and would come at a cost to all other customers.

Finally, the intent of the new specified resource adjustment is to recognize customers that acted on the Regional Dialogue goal of encouraging non-federal resource development and added resources that reduced the Administrator's obligation. In all other cases, new resources brought online since 2006 were applied to load growth serving Above-RHWM load and reduced the Administrator's obligation to serve load both under the Regional Dialogue contract and into the future under subsequent contracts. Regional Dialogue placed emphasis on new resources and infrastructure being developed, not an old or pre-existing resource that is moved around from one party to another. The Bulb Turbines is not a new resource and do not meet the criteria of the Policy.

Considering that the Bulb Turbines is listed as an existing resource in Exhibit A of Idaho Falls' Regional Dialogue contract, that the resource did not lower the Administrator's obligation to serve, and finally, that Idaho Falls was able to grow into the Tier 1 headroom during the Regional Dialogue contract period, Bonneville concludes that the Bulb Turbines is not eligible for the new specified resource adjustment.

Issue 60: Should Bonneville change the reporting date ranges for the CHWM conservation adjustment and/or the new specified resource adjustment beyond FY 2023 to enable additional conservation achievements and resources to qualify?

Policy Proposal

In Section 2.4.1.5 of the draft Policy, Bonneville proposed to include a conservation adjustment for eligible customers to add a defined amount of self-funded conservation to the Provider of Choice CHWMs. The conservation adjustment would be equal to 50% of self-funded conservation achievements approved by Bonneville from FY 2012 through FY 2023. Customers must complete conservation by the end of FY 2023 and report it by the end of FY 2025 for it to qualify for the adjustment.

Bonneville proposed to include a new specified resource adjustment in Section 2.4.1.6 of the draft Policy to recognize those customers that engaged in non-federal resource development. The adjustment would increase a customer's CHWM by 50% of the aMW of all new specified resources that were dedicated to serve load in FY 2023 that came into service after September 20, 2006.

Public Comments

The Yakama Nation commented that the proposed conservation adjustment and new specified resource adjustment were too limited. Regarding the conservation adjustment, they suggested that the "arbitrary 2023 completion date discriminates against tribal utilities that are just getting access to energy efficiency funders under the Inflation Reduction Act." The Yakama Nation commented that Bonneville should enable tribal utilities to fully maximize use of these funds especially in light of the Administration's clean energy goals and Bonneville's own claims that cost-effective conservation is the highest priority under the Northwest Power Act. The Yakama Nation similarly sought to expand the new specified resource adjustment to capture resources developed under the Inflation Reduction Act and used to serve load after FY 2023. POC-053-Yakama-Nation.

Evaluation and Decision

Bonneville's requirement for having conservation completed by the end of FY 2023 is not an arbitrary deadline. The deadline is tied to the decision to set the index year to FY 2023, as discussed in Issue 48. Bonneville acknowledged that as part of the conservation funding arrangement, some customers invested in self-funded conservation that reduced their loads more than those customers that did not invest in self-funded conservation. This reduction in load is assumed to be factored into the TRL that is measured in FY 2023 for each customer. The conservation adjustment will provide credit to those customers who invested in self-funded conservation to reduce the Administrator's load obligation and resulted in lower loads in FY 2023. Therefore, Bonneville is taking into account the conservation that was achieved by FY 2023 and meets the current reporting requirement to be reported no later than the following rate period. Conservation achieved after FY 2023 would not need to be accounted for as it would not have led to load reductions in FY 2023.

The new specified resource adjustment is tied to the index year of FY 2023 for similar reasons. Bonneville determined that any resource that was dedicated to serve load in FY 2023 will be included in a customer's PF-eligible load calculation. The new specified resource adjustment will provide credit to customers who developed resources that reduce the Administrator's load obligation. The Yakama Nation requests this be expanded for resources added after FY 2023. Because resources added after FY 2023 will not be deducted from the PF-eligible load calculation, there is no need to provide a credit to compensate for a reduction in PF-eligible load.

Bonneville selected FY 2023 as the index year to enable customers to take advantage of Inflation Reduction Act funding without worrying about the impacts to their CHWM. If Bonneville were to extend the range of years eligible for either adjustment, conservation or non-federal resource investments would reduce the amount of PF-eligible load that qualifies for a Provider of Choice CHWM resulting in a net reduction in CHWMs. Instead, customers are welcome to invest in conservation or non-federal resources from FY 2024 on which can be used to either reduce their Above-CHWM load exposure or to create headroom for future loads to grow into. How Bonneville will handle non-federal resource dedication under Provider of Choice will be a subject of policy implementation and contract development workshops. There will likely be parallel conversations on how resources added after FY 2023 may be treated under Regional Dialogue as the Provider of Choice Policy does not apply to the current Regional Dialogue contracts.

Bonneville will not extend the dates for what it accepts for self-funded conservation for the conservation adjustment, nor for the new specified resource adjustment.

Issue 61: Should Bonneville increase the load growth adjustment from 25% to a higher percentage?

Policy Proposal

In Section 2.4.1.7 of the draft Policy, Bonneville proposed to include a 25% load growth adjustment in the CHWM calculation. This adjustment would add a defined amount of customer load growth from the Regional Dialogue contract period to the customer's Provider of Choice CHWM. A customer whose index year PF-eligible load is greater than its base allowance (their 2024 RHWM) would qualify for this adjustment. To establish the adjustment, Bonneville would take the difference between the customer's base allowance and index year PF-eligible load and add 25% of that load difference to the customer's Provider of Choice CHWM.

Public Comments

Bonneville received comments that expressed measured support for the proposed 25% load growth adjustment. Central Lincoln stated that it finds the package, including the load growth adjustment "equitable" provided they continue to benefit from the proportional share adjustment. POC-011-Central-Lincoln. Grant similarly commented that it supports the package, including the load growth adjustment, "on the assumption that the load growth and proportional share adjustments yield a CHWM of about 208-209 aMW." POC-012-Grant. NRU commented that "as a standalone issue, a Load Growth Adjustment of 50% is the best policy for the region… However, as it stands within the Draft Policy as a whole NRU does not object to the overall proposed CHWM calculation, provided that other pieces of the Draft Policy remain intact." POC-031-NRU.

Snohomish, WPAG, and EWEB expressed support for the 25% adjustment but were opposed to any increase in the percentage. POC-033-Snohomish, POC-050-WPAG, POC-044-EWEB. AWEC commented that "limiting the Load Growth Adjustment to the smallest possible level will insulate customers from other utilities' resource decisions." POC-050-AWEC.

On the other hand, several parties commented that the load growth adjustment should be raised to 50%. Fall River, ICUA, and the AHWM Group recommended a 50% load growth adjustment as helpful for meeting current and future load requirements. POC-035-Fall-River; POC-003-ICUA; POC-024-AHWM-Group. United, the AHWM Group, and WREC argued for an increase to 50% so that the load growth adjustment would receive the equivalent treatment of the conservation adjustment. POC-023-United; POC-024-AHWM-Group; POC-027-WREC. Inland commented that it "disagrees with BPA's prioritization of self-funded conservation over load growth and how it enables certain preference customers to preserve headroom." Inland argued that "BPA's load growth adjustment should deserve equal, if not greater, treatment than the conservation adjustment." Inland explained that it "has seen load growth and actively managed our conservation funding from BPA; however, the incentives to self-fund conservation were fundamentally different when calculating cost-effectiveness compared to Tier 2." POC-001-Inland. Lower Valley also supported a 50% load growth adjustment stating that their growing system will "need additional access to Tier 1 power to meet current and future needs." Lower Valley commented that a 50% adjustment would be more equitable with how conservation by westside utilities is being treated. POC-082-Lower-Valley.

Evaluation and Decision

Bonneville's proposed 25% load growth adjustment in the draft Policy honors the intent of tiered rates, which is to protect the value of the existing federal system from unbound acquisition costs and insulate customers from costs associated with other customer's resource choices. Bonneville received comments reflecting a continued divide among customers, particularly between faster growing utilities and those with flat or declining loads. Bonneville also received support for the 25% load growth adjustment from a number of parties, many of which acknowledged these interests and the balanced approach Bonneville proposed.

Further, Bonneville received requests for increasing the adjustment to 50% or higher, particularly from parties who advocated for increased CHWM amounts to serve load growth that occurred during the Regional Dialogue contract term, and/or from parties who requested parity between the load growth adjustment and the conservation adjustment. If Bonneville were to include a larger load growth adjustment in the CHWM calculation, it would undermine the intent of the tiered rate construct by allowing customers who did not invest in specified non-federal resources to increase their access to power priced at a PF Tier 1 rate. A larger load growth adjustment could result in cost shifts between faster growing utilities and those with flat or declining loads. A larger adjustment could also eliminate price signals to invest in non-federal resources or conservation as customers plan for and manage future load growth. That said, firm adherence to a CHWM that includes no adjustment for load growth would become increasingly outdated and disconnected from current customer load requirements.

Bonneville recognizes the interests for parity between the load growth and conservation adjustments, however Bonneville believes it is important to maintain strong signals to encourage conservation and non-federal resource development as regionally supported, cost-effective means to serve load growth. Accordingly, Bonneville continues to view the 25% load growth adjustment as an appropriate method for recognizing customer load growth while acknowledging conservation achievements and non-federal resource development. Bonneville will maintain the load growth adjustment as proposed in the draft policy.

Issue 62: Should Bonneville maintain its proposed approach to calculating the proportional share adjustment to the CHWM calculation?

Policy Proposal

In Section 2.4.1.8 of the draft Policy, Bonneville proposed to include up to 200 aMW as a proportional share adjustment. The proportional share adjustment would provide an equitable adjustment to all customers as part of the initial CHWM calculations.

Bonneville explained that it would add up to 200 aMW for the proportional share adjustment as long as the aggregate CHWMs, as determined by the steps taken in Sections 2.4.1.1 through 2.4.1.7 of the draft Policy, do not exceed 7,250 aMW. Bonneville would adjust individual CHWMs by an amount equal to the customer's pro rata share of the proportional share adjustment, if triggered. A customer's pro rata share would be based on its individual CHWM relative to the aggregate CHWMs of all customers. Bonneville would calculate any proportional share adjustment after calculating CHWMs according to the steps taken in Sections 2.4.1.1 through 2.4.1.7 of the draft Policy. If a customer has no Above-CHWM exposure, the proportional share adjustment would result in headroom, allowing for load growth prior to Above-CHWM exposure. The proportional share adjustment is intended to provide a buffer for load growth that has occurred or will occur between FY 2023 and when power deliveries start in FY 2029.

Public Comments

AWEC, NRU, Grant, PPC, WPAG, Snohomish, Pacific and Central Lincoln supported Bonneville including a proportional share adjustment in the CHWM calculation. POC-050-AWEC; POC-031-NRU; POC-012-Grant; POC-029-PPC; POC-045-WPAG; POC-033-Snohomish; POC-058-Pacific; POC-011-Central-Lincoln. Snohomish "support[ed] an equitable proportional share adjustment with transparent accounting." POC-033-Snohomish.

Modern reflected that is important that customers equitably share the costs and benefits of any augmentation to support power served at a Tier 1 rate. POC-007-Modern. WPAG commented that the adjustment meets the tenet of tiered rates because the additional costs from augmentation proportionally benefits all customers. WPAG also shared that the adjustment "is particularly important for those flat/declining utilities who are not eligible for the load growth, conservation, or new specified resource adjustments." POC-045-WPAG.

Many commenters supported that the total aggregate CHWMs should be set equal to 7,250 aMW. POC-007-Modern; POC-050-AWEC; POC-044-EWEB; POC-012-Grant; POC-029-PPC; POC-033-Snohomish; POC-011-Central-Lincoln. PPC expressed concern about the potential to reduce the 200 aMW adjustment amount if the initial aggregate CHWMs exceeded 7,250 aMW. PPC would prefer a scenario where the adjustment was not substantially reduced. POC-029-PPC.

NRU and Pacific recommended that the full 200 aMW adjustment should be applied even if that pushed final aggregate CHWMs beyond 7,250 aMW. POC-031-NRU; POC-058-Pacific. NRU also advocated that if adding the full 200 aMW did not result in hitting the 7,250 aMW limit; that Bonneville increase the amount included in the adjustment until the limit is reached. POC-031-NRU.

Snohomish suggested that if the adjustment was substantially reduced due to other CHWM adjustments that instead of reducing the proportional share adjustment that Bonneville should reduce the load growth adjustment to ensure the full 200 aMW can be distributed. POC-033-Snohomish.

AWEC commented that the adjustment may erode some of the value of the federal system but noted that it reflected feedback Bonneville had received. AWEC supported the adjustment with the conditions the draft Policy put in place, which include a cap of 200 aMW for the adjustment and a limit to the aggregate CHWM amount. POC-050-AWEC. Grant specified that they would only support the adjustment up to 200 aMW. POC-012-Grant.

Other commenters requested that Bonneville consider a larger cap to the aggregate CHWMs, which could result in a larger proportional share adjustment although many of these requests were also paired with requests to expand other CHWM adjustments so the total expansion to the proportional share adjustment could be limited. Fall River cites a larger adjustment would better reflect the region's growing energy needs. Fall River, ICUA and Lower Valley request a cap between 7,500 aMW and 8,000 aMW as the current cap is too conservative. POC-035-Fall-River; POC-003-ICUA; POC-082-Lower-Valley. WREC requested the cap be set at 7,500 aMW. POC-027-WREC.

Yakama Nation did not specify a new limit but suggested that Bonneville should expand the amount of power available at a PF Tier 1 rate. POC-053-Yakama-Nation.

WPAG proposed that the adjustment should be set at adding 200 aMW but the limit should be increased to 7,350 aMW. If the aggregate CHWMs inclusive of the adjustment equaled or was less than 7,350 aMW, that would be the total amount of power available to be purchased at a PF Tier 1 rate. If the aggregate CHWMs exceeded 7,350 aMW, WPAG proposed that Bonneville "sum up the adjustments received by each customer under the load growth, conservation, new specified resource, and proportional share adjustments, and to the extent the sum of CHWMs exceed 7,350 aMW, reduce such summed amount pro rata until 7,350 aMW is achieved." WPAG argues this approach would be a "more equitable backstop." POC-045-WPAG.

Mason 3 supported WPAG's proposal but requested that if Bonneville rejects the increase to 7,350 aMW, Bonneville should reduce all adjustments proportionally until 7,250 aMW is achieved. POC-022-Mason-3.

Evaluation and Decision

Bonneville will include a proportional share adjustment in the CHWM calculation. However, Bonneville was compelled by commenters and will update how the proportional share adjustment is calculated.

Bonneville will not limit the proportional share adjustment to a specified amount, such as the 200 aMW described in the draft Policy. Instead, once initial CHWMs are determined by the steps taken in Sections 2.4.1.1 through 2.4.1.7 of the Policy, Bonneville will proportionally increase each customer's initial CHWM so that the final aggregate CHWM amount equals 7,250 aMW. If initial CHWMs exceed 7,250 in aggregate, no proportional share adjustment would be included in the CHWM calculation but Bonneville would not reduce initial CHWMs.

Many commenters express support for Bonneville fixing the amount of power sold at a PF Tier 1 rate at 7,250 aMW. However, other commenters expressed support for more power to be made available to purchase at a PF Tier 1 rate. WPAG suggests that amount be 7,350 aMW. WREC requests 7,500 aMW. Fall River, ICUA and Lower Valley advocates for an amount between 7,500 aMW and 8,000 aMW. Bonneville must determine the amount of power available at PF Tier 1 rates to maintain appropriate price signals. Under tiered rates, Bonneville endeavors to limit the cost exposure that customers have from unbound acquisition costs. Increasing the amount of power available at a PF Tier 1 rate reduces the incentive for each customer to manage its load growth without impacting other customers. Therefore, Bonneville declines to increase the limit associated with the proportional share adjustment beyond 7,250 aMW.

Bonneville believes that if aggregate CHWMs are less than 7,250 aMW, then fixing the amount of power sold at a PF Tier 1 rate at 7,250 aMW balances the intent of tiered rates with commenters' general willingness to take on some amount of resource acquisition cost exposure in the Tier 1 cost pool. Bonneville has not yet determined its approach for sourcing any power needs to account for differences between today's system capability and 7,250 aMW. Bonneville recognizes that there could be increased efficiencies in the existing system or there could be decreases in capability for a variety of reasons. Bonneville may need to acquire resources to meet the load obligation established by CHWMs. Bonneville has determined that the 7,250 aMW limit, while introducing some resource acquisition pooling that did not exist under the Regional Dialogue contract period, would result in a regionally agreed upon solution to setting CHWMS.

WPAG, Mason 3 and Snohomish had proposed alternatives that would reduce other adjustments to ensure that all 200 aMW of the proportional share adjustment would be shared among customers. They argued that the proportional share adjustment was a more equitable way to allocate CHWM amongst customers. However, the other adjustments included in the CHWM calculation serve to balance various policy goals (resource development and conservation) as well as customer interests (like load growth). Bonneville will not reduce those adjustments to ensure a larger proportional share adjustment.

Finally, Bonneville will not limit the amount of power available at a PF Tier 1 rate to 7,250 aMW. If the initial CHWMs in aggregate, as determined by steps taken in Sections 2.4.1.1 through 2.4.1.7 of the draft Policy, is greater than 7,250 aMW, the total aggregate CHWMs will determine the amount of power available to purchase at a PF Tier 1 rate. In the event CHWMs in aggregate exceed 7,250 aMW Bonneville will not include a proportional share adjustment or apply a proportional share reduction to reduce aggregate CHWMs to 7,250 aMW. Based on current estimates, Bonneville does not believe that it is likely for aggregate CHWMs to exceed 7,250 aMW.

Bonneville has updated the Policy to reflect the new approach to calculating the proportional share adjustment:

> Bonneville will include a proportional share adjustment if, after calculating CHWMs according to the steps taken in Sections 2.4.1.1 through 2.4.1.7, the

> aggregate of those initial CHWMs is less than 7,250 aMW. This provides an equitable adjustment to all customers as part of the CHWM calculations.
>
> The proportional share adjustment will equal the difference between 7,250 aMW and the initial aggregate CHWMs, as determined by the steps taken in Sections 2.4.1.1 through 2.4.1.7. Bonneville will adjust individual CHWMs by an amount equal to the customer's pro rata share of the proportional share adjustment, if triggered. A customer's share is based on its individual CHWM relative to the initial aggregate CHWMs of all customers. Customers that have no exposure to Above-CHWM load under the CHWM, as determined by the steps in Sections 2.4.1.1 through 2.4.1.7, will build headroom, allowing them to grow loads before being exposed to Above-CHWM load service options. The proportional share adjustment provides a buffer for load growth that has already occurred or will occur between FY 2023 and when power deliveries start in FY 2029.
>
> . . . .
>
> Bonneville will not include a proportional share adjustment if the initial aggregate CHWMs, as determined by the steps taken in Sections 2.4.1.1 through 2.4.1.7, exceeds 7,250 aMW; however, Bonneville will not reduce initial aggregate CHWMs.

Policy § 2.4.1.8.

Issue 63: Should Bonneville maintain the proposed CHWM calculation for returning public utilities?

Policy Proposal

Section 2.4.1.9 of the draft Policy describes how Bonneville would treat a returning public utility's CHWM calculation. Grant inquired about a Section 5(b) power sales contract for its net requirements load service starting in FY 2029. During the Regional Dialogue contract term, Bonneville served a small portion of Grant's municipal load in the Grand Coulee area. Prior to Regional Dialogue, under the Subscription contract, Bonneville served Grant's net requirements load. Grant presented a unique exception as a returning public customer.

In the draft Policy, Bonneville stated it would establish Grant's CHWM for its net requirements load for the first time. Bonneville would apply a similar CHWM calculation for Grant as for all customers. Bonneville would use the last block purchase amount Grant made under the Subscription contract in lieu of the 2024 RHWM to set its base allowance because it provides a known historical load basis.

In the draft Policy, Bonneville proposed to restrict Grant when applying two of the CHWM calculation adjustments – the conservation adjustment and the new specified resource adjustment. The only self-funded conservation that would qualify for an adjustment for Grant are self-funded measures for the load Bonneville served during the Regional Dialogue contract.

Grant's other conservation would not qualify because the rationale for the conservation adjustment is to recognize achievements that helped Bonneville reduce its obligation and meet its total conservation targets; any conservation achieved by Grant for its broader load did not reduce Bonneville's obligation. Grant would also not qualify for the new specified resource adjustment because Grant did not add any new specified resources to serve its load in the Grand Coulee area, and Bonneville would not retroactively determine what would have been considered a new specified resource under Regional Dialogue. Like other customers, Grant would have the opportunity to apply for resource removal which would be contingent upon Bonneville's approval through a formal process.

Bonneville proposed that Grant would be subject to the same data requirements and transparent processes that all other Bonneville customers will participate in to determine net requirements load and CHWM. Bonneville would not pursue any special data provisions or unique process based on Grant's status as a returning public utility.

Bonneville would apply a similar CHWM calculation approach if it receives requests for service from other returning utility customers.

Public Comments

AWEC, Grant, PPC and WPAG supported the proposed CHWM calculation for returning utilities as outlined in the draft Policy. POC-050-AWEC; POC-012-Grant; POC-029-PPC; POC-045-WPAG. NRU did not have an objection to the proposal. POC-031-NRU.

Clatskanie recommended for all returning public utility customers that Bonneville provide reasonable assurance that returning loads which would have been categorized as an NLSL be treated as such when calculating CHWMs. POC-020-Clatskanie.

Evaluation and Decision

Given the broad support of Bonneville's proposed CHWM calculation for returning public utilities, Bonneville will maintain the calculation as proposed in the draft Policy.

To address Clatskanie's concern, Bonneville will remove NLSLs in determining PF-eligible load for the CHWM calculation for both returning and existing PF customers. As Bonneville establishes Grant's, or any returning utility customer's, net requirements, it will evaluate which loads meet the definition of an NLSL. Those loads will not be eligible for service at a PF rate and therefore, will not be included as part of the qualifying load when calculating CHWMs. Grant will be subject to the same net requirements transparency process as existing customers. Bonneville will apply the same level of rigor to existing customers when determining net requirements loads and evaluating what loads are eligible for service at a PF rate.

3.4.2 Subsequent CHWM Adjustments

Section 2.4.2 of the draft Policy stated that Bonneville believed that certain conditions merit an increase to the amount of power a customer can purchase at a PF Tier 1 rate, or said another way, an increase to a customer's CHWM, after the one-time CHWM calculation. The subsequent CHWM adjustment categories described in the draft Policy would increase the sum of all CHWMs and could require Bonneville to acquire resources for firm power to be sold at PF Tier 1 rates. Bonneville identified four CHWM adjustment categories in the draft Policy: small utility, new public utility, tribal utility, and U.S. Department of Energy (DOE) vitrification load. These are the only subsequent CHWM adjustment categories that will be available during the Provider of Choice contract period.

Bonneville will determine the calculation and implementation details, with input from interested parties, as part of the FY 2026 CHWM calculation process. This will provide clarity for implementation ahead of power deliveries commencing under the contracts.

Issue 64: Should additional CHWM adjustment categories increase the sum of all CHWMs?

Policy Proposal

In Section 2.4.2 of the draft Policy, Bonneville proposed four subsequent CHWM adjustment categories that would address potential situations where a CHWM adjustment would be needed during the Provider of Choice contract period. Bonneville proposed that a small utility adjustment, a new public utility adjustment, a tribal utility adjustment, and a DOE vitrification load adjustment would increase the amount of power available for purchase at a PF Tier 1 rate.

Public Comments

NRU requested that Bonneville "clarify that the subsequent CHWM adjustment categories would be additive to the sum of all CHWMs, including the Proportional Share Adjustment, to ensure… [they] do not erode the equitable benefit of the proportional share adjustment." POC-031-NRU.

Evaluation and Decision

Bonneville will conduct the CHWM calculation process in FY 2026 that will set CHWMs for the Provider of Choice contract period. The CHWM will include the proportional share adjustment in the CHWM calculation. Bonneville will not re-calculate these initial CHWMs during the Provider of Choice contract period. The subsequent CHWM adjustment categories are the only way a CHWM may change after the initial CHWM calculation. If a utility qualifies for an adjustment, Bonneville will add the qualifying CHWM amount to the utility's initial CHWM assuming the utility has an established CHWM. This will increase the total amount of power available to be purchased at a PF Tier 1 rate. Bonneville will not reduce a customer's CHWM due to a subsequent CHWM adjustment. Bonneville affirms that subsequent adjustments will increase the sum of CHWMs as stated in the draft Policy.

Issue 65: Should Bonneville commit to acquiring additional firm power for subsequent CHWM adjustments?

Policy Proposal

Section 2.4.2 of the draft Policy stated that the subsequent CHWM adjustment categories would increase the sum of all CHWMs and could require Bonneville to acquire resources for firm power to be sold at PF Tier 1 rates.

Public Comments

NRU requested that Bonneville update the policy to "commit to acquire additional firm power resources to meet the increased firm obligation." NRU would like the policy to "set an expectation" that Bonneville will acquire resources to meet any additional firm load. POC-031-NRU.

Evaluation and Decision

Issue 20 discusses how Bonneville conducts its resource planning. Bonneville will make any resource acquisition decisions based on its firm load obligation, without regard for the rate at which the power is sold. The subsequent CHWM adjustments will increase Bonneville's load obligations, which Bonneville would plan to meet with firm power. If Bonneville does not have a need to acquire resources based on its load obligations, then it would not acquire them. Therefore, Bonneville will not commit to acquiring a new resource based on individual load obligations from subsequent CHWM adjustments.

Issue 66: Should the Policy include a subsequent CHWM adjustment category to provide additional CHWM for mutually agreed upon annexations of non-Bonneville loads?

Policy Proposal

Bonneville did not address how annexed load should be treated in the calculation of a customer's CHWM in the draft Policy.

Public Comments

OPALCO and PNGC suggested that Bonneville should allow additional CHWM for "mutually agreed upon annexations of non-BPA loads." They argued that such annexations should be afforded the same treatment as new public utilities. POC-013-OPALCO; POC-046-PNGC.

Evaluation and Decision

OPALCO and PNGC suggest that Bonneville should provide a subsequent CHWM adjustment for "mutually agreed upon annexations of non-BPA loads." POC-013-OPALCO; POC-046-PNGC. Bonneville must contemplate the impact to other customers when considering whether it would provide additional CHWM for annexation of non-Bonneville load. A customer has the option to determine whether to increase their load obligation through annexation. Bonneville is not obligated to provide additional power at a PF Tier 1 rate because a customer has agreed to take on a larger service territory obligation. In fact, the tiered rate construct is based on the tenet that customers should be insulated from the cost impacts of other customers' load growth. Therefore, Bonneville does not believe that additional CHWM should be granted for annexation of non-Bonneville loads.

OPALCO and PNGC suggest that the new public and tribal adjustments result in the same outcome. Bonneville does not agree.

First, a new public utility is a newly formed utility. If requested by a new public customer, Bonneville must offer a contract for firm requirements power as directed by section 5(b) of the Northwest Power Act. Bonneville included the new public utility adjustment because a newly formed public utility should have some equitable access to power at a PF Tier 1 rate. The new public utility adjustment is limited both in total amount and by the amount of load that can be added during a rate period. These limitations balance the interests of providing a new public utility with CHWM and increasing costs for existing customers. These limits also ensure that a new public utility is not guaranteed an unlimited amount of CHWM. Rather, they may be eligible for CHWM if it is available under the new utility adjustment category. If the CHWM adjustment for new public utilities has been exhausted, or if the new public brings on more than 50 aMW of load during a single rate period, additional load would be served based on the customer's Above-CHWM election in the same manner as other customers determine how to serve load growth.

Second, as described in Section 2.4.2.3 of the draft Policy, a tribal utility faces different barriers when annexing load. Due to unique regulations and requirements, a tribal utility may take decades to annex load compared to a non-tribal utility. The tribal utility adjustment acknowledges the unique challenges that tribal utilities face in annexing load, and is also limited so that tribal utilities are not granted unlimited access to power sold at a PF Tier 1 rate. Like the new public utility adjustment, the tribal utility adjustment is limited in availability, and after it has been exhausted, any additional tribal utility load would be served based on the customer's Above-CHWM election.

For the foregoing reasons, Bonneville is not compelled to treat the annexation of a non-Bonneville load as analogous to a new public utility or tribal utility annexation. If there is an annexation between two existing customers, the Regional Dialogue contract allows them to (1) agree on an amount of CHWM to transfer, or (2) if they do not agree, Bonneville applies a methodology to determine the appropriate proportional share to transfer. Under Regional Dialogue, if a non-governmental entity, such as an electric cooperative, annexes load from an existing customer, Bonneville may limit the adjustment of the non-governmental entity's CHWM to preserve the tax-exempt status of the Energy Northwest's Project 1, Project 3 and Columbia Generating Station (CGS) bonds. Bonneville intends to include in the Provider of Choice contracts similar contract terms related to bond assurances and annexed loads. During the policy implementation and contract development phase, Bonneville will determine the details of transferring CHWM for annexed loads between existing customers leveraging existing provisions that are included in the Regional Dialogue contract, including language related to preserving the tax-exempt status of the Energy Northwest bonds. Bonneville will neither add a subsequent adjustment category for non-Bonneville served annexed loads nor will it expand the criteria for what qualifies for the new public utility adjustment.

Bonneville updated the Policy to address the federal income tax-exemption on CGS bonds. Bonneville will structure the Provider of Choice contracts so that the tax-exempt status of the Energy Northwest bonds is preserved. Section 11.6 of the Policy states:

> Bonneville meets the debt service costs of about $4.5 billion in tax-exempt bonds for Energy Northwest's Project 1, Project 3, and CGS. The tax exemption is predicated on a tax law analysis that is in part based on existing agreements and arrangements with customers relating to the use of the output of CGS and the payment of the costs of CGS. Notwithstanding any else in this Policy, Bonneville will structure Provider of Choice contracts so that the tax-exempt status of these bonds is preserved.

Policy § 11.6.

Issue 67: Should Bonneville adopt a small utility adjustment? If adopted, should Bonneville increase access to the small utility adjustment and/or provide additional support to small utilities?

Policy Proposal

In Section 2.4.2.1 of the draft Policy, Bonneville proposed to include a small utility adjustment as one of the subsequent CHWM adjustment after the one-time CHWM calculation that would increase the amount of power a customer is able to purchase at a PF Tier 1 rate. Under the small utility adjustment, Bonneville would allow customers with PF-eligible load under 5 aMW to increase their CHWM up to the lesser of double their initial Provider of Choice CHWM, or 5 aMW. Bonneville would cap this small utility adjustment to the load which qualifies for the adjustment at the beginning of the contract period based on the one-time calculation of Provider of Choice CHWMs.

Public Comments

A number of parties commented that they support, or are not opposed to, the small utility adjustment as proposed in the draft Policy. NRU commented that it has "no objection to the proposed language". POC-031-NRU. PPC expressed continuing support for "the consideration for very small utilities." POC-029-PPC. Grant commented that it "is pleased" that Bonneville included limited adjustments for small utilities. POC-012-Grant. Modern similarly commented that it supports "reasonable consideration for tribal utilities, new public entities, and small utilities…." POC-007-Modern.

AWEC "agree[d] that it is reasonable to make a small utility adjustment available to prevent outsized impacts;" but that "it is unclear why this adjustment appears to give utilities up to a size of 5 MW the ability to effectively double their CHWM…" Further, "BPA should clarify why this level of expansion has been chosen, and whether incentives to reduce growth or acquire conservation or non-federal resources should be included." POC-050-AWEC.

WPAG commented that they "approve of BPA's proposed small utility adjustment, which is intended to shield small utilities from the disproportionate impacts to them of a tiered rate structure." POC-045-WPAG. WPAG and Mason 1 commented that while they support the small utility adjustment, they have concerns for utilities that fall just outside the qualifying criteria. They noted that "BPA's proposal to define "small utility customer" to include those utilities with PF-eligible load under 5 aMW will put the adjustment out of reach for other small utilities that will just miss the threshold but for whom a tiered rate structure could also have disproportionate impacts." WPAG and Mason 1 proposed if a utility like Mason 1 did not qualify for a revised small utility adjustment that Bonneville should "identify ways to help small customers" such as "reexamining the qualifying criteria under the Low Density Discount [(LDD)]." POC-045-WPAG; POC-061-Mason-1.

Finally, several parties opposed the proposed adjustment and suggested changes. Raft River commented that "it is unfair and biased to allocate Tier 1 headroom based on a random cut-off of 5 MW." POC-017-Raft-River.

PNGC expressed similar disapproval of a 5 aMW cutoff. They explained that the small utility adjustment incents load growth in some areas and disadvantages customers that are 6 aMW and slightly larger. PNGC commented:

> The 5 aMW small utility headroom allocation amounts to a cost shift that has no clear policy basis. PNGC would support a robust 3rd party economic analysis to determine a more appropriate evidence-based definition of this small utility threshold. A better solution would be to grant all customers 1-2 MW of headroom. This will still be more meaningful to the smaller utilities, achieving the same stated outcome, without being arbitrary and discriminatory. POC-046-PNGC.

OPALCO offered the same comments as PNGC. POC-013-OPALCO.

Evaluation and Decision

The proposed small utility adjustment mitigates the relatively greater effective rate impact small customers experience from small amounts of load growth served at PF Tier 2 rates compared to larger customers. Small customers may see a proportionally larger change in their effective rate because they have less existing load across which to blend the effect of increasing load service costs at PF Tier 2 rates.

Many parties support the proposed small utility adjustment that acknowledged the challenges and potentially outsized rate impacts that small utilities may face under tiered rates. Bonneville also received questions around why the 5 aMW threshold was identified and concerns that the adjustment unfairly treats utilities that fall just outside the qualifying criteria.

To arrive at the proposed 5 aMW size threshold, Bonneville leveraged the System Size and Rate Design tool[32] provided in December 2022 to create a scenario where each utility added 1 aMW of load growth over the course of the contract. Bonneville found that the largest potential rate impacts were experienced by utilities with loads smaller than 5 aMW.

In response to AWEC's comment that utilities up to 5 aMW could effectively double their CHWM via this adjustment, Bonneville clarifies that the adjustment would allow a small customer to double its CHWM up to a total of 5 aMW. This means that only utilities up to a size of 2.5 aMW could double their CHWM. Additional CHWM amounts for larger utilities would only increase those utilities' CHWMs up to 5 aMW total. Whether these customers should be provided additional incentives to manage load growth through measures including conservation, Bonneville observes that the potential headroom for these utilities will be limited by design and should do little to remove the broader incentive to manage meaningful amounts of load growth that would easily push these utilities into significant Above-CHWM load service scenarios.

PNGC and OPALCO suggest Bonneville grant all customers 1 to 2 aMW of headroom in lieu of a small utility headroom. Bonneville assumes under this proposal that CHWMs would need to be set equal to FY 2023 PF-eligible load and then add 1-2 aMW of headroom on top of that. Based on current estimates, this could set aggregate CHWMs close to 7,500 aMW. Bonneville would face a greater need for potential resource acquisitions to serve that load and accordingly increase rate pressure on PF Tier 1 rates. As proposed, the small utility adjustment is not a guaranteed CHWM amount for qualifying utilities like a proposal to grant all customers headroom. As a subsequent CHWM adjustment it would only be realized if qualifying utilities indeed experience load growth. Bonneville believes that providing all customers headroom would not result in the same rate protection or limits that the proposed adjustment provides.

WPAG and Mason 1 request that Bonneville consider other policy measures that could provide support for small utilities that fall outside the 5 aMW threshold assuming Bonneville did not increase its threshold requirement. Both specifically cite LDD as an example. LDD is a statutory discount that provides rate relief for utilities with low system densities. This discount is not specifically tied to a utility's size. While WPAG and Mason 1 did not cite other examples, Bonneville assumes that other levers face similar disconnects in the policy intent. Bonneville appreciates that utilities just outside the threshold may face similar rate impact challenges but declines to guarantee other discounts or policy incentives for utilities that do not qualify for the small utility adjustment.

Bonneville will retain its proposed policy to include a small utility adjustment as one of the subsequent CHWM adjustment categories. This adjustment will provide that the CHWM for customers with PF-eligible load under 5 aMW will be able to increase up to the lesser of double

[32] The System Size and Rate Design tool is available at https://www.bpa.gov/-/media/Aep/power/provider-of-choice/bpa-provider-of-choice-system-size-and-rate-design-tool.xlsx.

their initial Provider of Choice CHWM, or 5 aMW. This adjustment mitigates a known inequity associated with tiered rates for Bonneville's smallest customers and is limited in size and scope, which mitigates potential cost pressure on Tier 1 PF rates.

Issue 68: Should Bonneville offer a new public utility adjustment as a subsequent CHWM adjustment category?

Policy Proposal

In Section 2.4.2.2 of the draft Policy, Bonneville proposed that public utilities that meet Bonneville's standards for service, request service, and form during the Provider of Choice contract period be granted the opportunity to purchase firm power at a PF Tier 1 rate. Bonneville would calculate a new public utility's CHWM based upon their total PF-eligible load. The total amount of CHWM they would be eligible for would be limited by the amount of new public utility adjustment available. As proposed, the new public utility adjustment would be limited to 50 aMW per rate period and 200 aMW total over the Provider of Choice contract period. New public utilities requesting power to serve load in excess of those limitations would receive a CHWM and would serve Above-CHWM load based on their Above-CHWM elections.

Public Comments

Modern, WPAG, AWEC, PPC and Grant supported the proposed adjustment. POC-007-Modern; POC-045-WPAG; POC-050-AWEC; POC-029-PPC; POC-012-Grant. AWEC noted a concern that the adjustments ultimately finalized in the Policy should not "unnecessarily dilut[e] the benefits of Tier1 power sold to existing customers." POC-050-AWEC.

NRU did not have an objection to including the adjustment. POC-031-NRU.

Evaluation and Decision

Bonneville will maintain the new public utility adjustment as a subsequent CHWM adjustment category.

Issue 69: Should Bonneville offer a tribal utility adjustment as proposed in the draft Policy?

Policy Proposal

In Section 2.4.2.3 of the draft Policy, Bonneville proposed a tribal utility adjustment that would allow for the opportunity to increase CHWM for newly annexed load within the tribal utility's service territory, as will be defined in each tribal utility's contract. The draft Policy specified that the adjustment would only apply to customers that Bonneville recognizes as a tribal utility consistent with Bonneville's standards for service. Bonneville recognized that tribal utilities face unique challenges in establishing a new utility and that these difficulties may persist in the process of annexing load.

Bonneville proposed in the draft Policy that the tribal utility adjustment be limited to 40 aMW of additional CHWM that could be included for tribal utilities with newly annexed load. This would be constrained further by counting toward the overall 200 aMW contract-term limit established under the new public utility category and the limit of no more than 50 aMW that can be added in a rate period.

Public Comments

Commenters expressed support for the tribal utility adjustment proposed in the draft Policy. POC-050-AWEC; POC-012-Grant; POC-007-Modern; POC-045-WPAG; POC-053-Yakama-Nation. Mission Valley Power (MVP) supported the adjustment specifically noting that the 40 aMW limit is appropriate as it avoids costs shifts in the Tier 1 cost pool. POC-002-MVP.

Several commenters expressed support for the tribal utility adjustment but suggested changes they would like to see in the adjustment. PPC supported the adjustment and requested that the adjustment be established independent of the overall 200 MW set aside for new public utilities. POC-029-PPC. NRU and MVP requested to expand the adjustment to include any load growth experienced by tribal utilities "regardless of when the tribal utility was formed, when the tribal utility experiences load growth, and whether that growth is through service territory annexation, loss of resource, or other means." POC-031-NRU; POC-002-MVP. Similarly, the MVP Consumer Council commented that the tribal utility adjustment was too restrictive and requested that the adjustment be increased to include "all annexed loads, lost resources and all Tribal load growth." POC-004-MVP-Consumer-Council. The Confederated Salish and Kootenai Tribes of the Flathead Nation (CSKT) appreciated that the tribal utility adjustment acknowledges the unique challenges that tribal utilities face. POC-008-CSKT.

NRU, MVP, MVP Consumer Council, and CSKT commented that all of a tribal utility's total retail load should be allowed access to power at a PF Tier 1 rate. POC-031-NRU; POC-002-MVP; POC-004-MVP-Consumer-Council; POC-008-CSKT. CSKT contended that any change that results in insufficient access to power priced at a PF Tier 1 rate creates a unique challenge to tribal utilities and therefore the adjustment should be expanded. POC-008-CSKT.

Evaluation and Decision

Bonneville appreciates the numerous comments in support for the tribal utility adjustment. Commenters raise two issues for Bonneville's consideration: (1) whether to include the proposed limits for the adjustment, and (2) whether to expand the eligibility beyond annexed load.

First, commenters raise whether the tribal utility adjustment should include limits. Two commenters proposed that the tribal utility adjustment should have no limit and suggested that all tribal loads should be served at a PF Tier 1 rate. Another commenter noted that the limit should not apply toward the 200 aMW cap for the new public utility adjustment. In addition, multiple commenters supported the adjustment as proposed including the 40 aMW limitation and counting the 40 aMW toward (1) the overall 200 aMW contract-term limit established under the new public utility category and (2) the limit of no more than 50 aMW that can be added in a rate period.

Bonneville recognizes that tribal utilities face significant legal barriers (i.e., the interplay between state, local and tribal law) that must be resolved with the existing electric utilities that already provide service within reservation boundaries and the applicable regulatory agencies. Bonneville also recognizes that while tribal governments are different from state and local governments, once a tribal utility is qualified, formed, and operating, Bonneville serves tribal utility customers just as it does public body, cooperative and federal agency customers. Therefore, the adjustment looks to provide support for tribal utilities that face these unique barriers, while treating the tribal utilities, once formed, like all other utilities. If the draft Policy included a tribal utility adjustment without the 40 aMW limitation, as requested by some commenters, the effect would be to create a special class of utilities that are effectively exempt from the tiered rate construct. Bonneville believes it is reasonable to provide a limited tribal utility adjustment to address the unique circumstances facing reservation load service, but Bonneville does not see a policy rationale for providing tribal utilities unique treatment beyond providing the limited adjustment. Bonneville will continue to treat tribal utility customers just as it does public body, cooperative and federal agency customers.

Second, commenters raise whether the adjustment should be limited to annexed load. Several commenters made the case for expanding the tribal utility adjustment to apply to any load changes for tribal utilities and not limit the adjustment to annexed load. This is similar to the tribal utility adjustment included under Regional Dialogue that applied to load growth of new tribal utilities. Bonneville recognizes that tribal utilities face unique challenges for a variety of reasons, and Bonneville agrees with MVP that these challenges persist regardless of how a utility is experiencing growth or when it was formed. Bonneville will return to the broader application of the adjustment included under Regional Dialogue given the support from commenters. This will allow load changes that result in a tribal utility being exposed to Above-CHWM load with an opportunity to qualify for additional CHWM. The adjustment will continue to be limited to 40 aMW, included in the amount designated for the new public utility adjustment, and will be available on a first come, first served basis. Once the limit is reached there will be no additional CHWM available. After the 40 aMW limitation is reached, additional Above-CHWM load would need to be served by a non-federal resource or at a PF Tier 2 rate depending on the utility’s election.

In the case that the Administrator determines statutory resource removal is appropriate, the customer could request to have Bonneville provide firm power to replace the removed resources. The replacement power in this example would be a load change that qualifies for the tribal utility adjustment and results in increased CHWM, provided the 40 aMW cap has not been met. The removed resource may not be rededicated to serve load unless the utility has Above-CHWM load and has elected to serve it with non-federal resources. Bonneville recognizes that in some cases resource decisions are outside of a utility's control; however, Bonneville must balance providing a tribal utility adjustment with ensuring that resources are not removed and subsequently rededicated to offset a customer's purchase obligation if pricing becomes more advantageous at a later point during the contract period.

In summary, Bonneville will eliminate the annexation requirement for the tribal utility adjustment but maintain the other limits placed on the adjustment in terms of how much additional CHWM could be granted. Bonneville updated the Policy to reflect this change.

Issue 70: Should Bonneville expand eligibility for the tribal utility adjustment to include utilities operating on reservations pursuant to a 638 contract?

Policy Proposal

Bonneville proposed in Section 2.4.2.3 of the draft Policy that the tribal utility adjustment would only apply to customers that are recognized as a tribal utility consistent with Bonneville's standards for service.

Public Comments

MVP and CSKT asserted MVP's status as a tribal utility and commented that "Bonneville's policy fails to recognize all utilities that should reasonably be consider tribal utilities. POC-002-MVP; POC-008-CSKT. The CSKT requested that "Bonneville recognize MVP as a tribal utility for the tribal set aside" and request that MVP be "designated a Tribal utility, within the policy." POC-008-CSKT. MVP, NRU and CSKT specifically requested that Bonneville provide a definition of tribal utility that includes tribal utilities operating on established reservations pursuant to Public Law 93-638 Self Determination contract or compact. POC-002-MVP; POC-008-CSKT; POC-031-NRU. The MVP Consumer Council offered similar comments requesting that Bonneville expand and clarify the definition of tribal utility to include MVP explaining that Public Law 93-638 was adopted to address the same challenges that Bonneville identified as support for its tribal set-aside. POC-004-MVP Consumer Council.

Evaluation and Decision

Section 5(b)(4) of the Northwest Power Act conditions all power sales under section 5(b)(1) to an eligible public body (as well as cooperatives, federal agencies and IOUs) upon the entity's compliance with the Administrator's standards for service. Under Bonneville's December 1999 Standards for Service Record of Decision[33], Bonneville noted a tribe's ability to form an electric utility cooperative pursuant to its tribal constitution and bylaws. Additionally, Bonneville recognized tribes' inherent sovereignty and determined it reasonable to consider tribes as "public bodies" for purposes of qualifying for preference and priority. In the Standards for

[33] Bonneville's December 1999 Standards for Service Record of Decision is available at https://www.bpa.gov/-/media/Aep/about/publications/records-of-decision/1999-rod/rod-19991222-final-policy-on-standards-for-service.pdf.

Service Record of Decision, Bonneville noted that "recognition of 'public body' status is limited to the formation of tribal utilities providing service to retail consumers only within reservation boundaries." Standards for Service ROD at 19 (December 1999). Tribal utilities are not recognized as a customer class, rather Bonneville has interpreted the definition of "public body" and "cooperative" to includes utilities formed pursuant to tribal law and serving retail consumer load with the reservation boundaries.

At the center of the comments is whether MVP should be defined as a tribal utility. MVP is a utility formed pursuant to federal law. Originally known as the Flathead Indian Irrigation Project, the utility is owned by the Department of the Interior with the purpose to serve the Flathead Indian Reservation. Since 1986, the CSKT have operated MVP pursuant to a 638 contract that the tribes hold with the Bureau of Indian Affairs. Under the Indian Self Determination and Education Assistance Act, tribes can request to assume the responsibility for programs and services administered to them on behalf of the Secretary of the Interior through contractual or compact agreements. These are often referred to as 638 contracts. Having tribes' contract for services fulfilled Congress' goal of encouraging greater autonomy and realization of self-government for federally recognized tribes and also supports tribes in planning and implementing programs for the benefit of their communities.

Multiple commenters requested for Bonneville to define tribal utility and expressly include MVP in such definition. Bonneville recognizes that MVP operates in a similar manner and with a similar purpose as other tribal utilities, and like other tribal utilities served by Bonneville, faces unique complexities associated with their service territory such as jurisdictional challenges due to the checkerboarded ownership of land. The primary difference between MVP and other tribal utilities being MVP was formed pursuant to federal law, as opposed to being formed pursuant to tribal law. However, MVP is operated and managed by the CSKT pursuant to a 638 contract that was intended to further self-determination and provides tribes with the opportunity to manage services for the benefit of their communities and, like other tribal utilities, MVP's purpose is to serve reservation load. With this in mind, it is reasonable that the final Policy treat MVP like other tribal utilities.

Although MVP operates similar to other tribal utilities, the utility was still formed pursuant to federal law as opposed to a tribe forming a tribal cooperative or public body utility. Rather than opening the standards for service, Bonneville's final Policy clarified that the tribal utility adjustment applies to customers that are either (1) recognized as a tribal utility consistent with Bonneville's standards for service, or (2) a utility that is operated by a tribe pursuant to a 638 contract and serving reservation load.

Issue 71: Should Bonneville offer a subsequent CHWM adjustment for DOE Richland's vitrification plant load if/when it becomes operational?

Policy Proposal

Section 2.4.2.4 of the draft Policy proposed to increase DOE Richland's CHWM to serve the total DOE Richland's vitrification plant load up to 70 aMW inclusive of any load online during the Regional Dialogue contract period. Bonneville supports this ongoing high-priority program for cleanup of defense materials production, and waste processing and disposal activities at the DOE Hanford site in Washington.

Public Comments

No commenters supported the adjustment. AWEC did not oppose the adjustment but requested that Bonneville explain why power needs to be made available at a PF Tier 1 rate. AWEC was also unclear as to how "BPA landed upon the potential power allotment that it did." POC-050-AWEC.

WPAG did not support including an adjustment for the vitrification load. WPAG proposed that the load be served by a DOE-backed small modular reactor (SMR), which would also support DOE's objective to develop carbon-free SMRs. They cited that an SMR would meet a high-priority DOE objective by "encouraging (be providing an immediate load to serve) the development of carbon-free SMRs that can help maintain and improve reliability as part of the clean energy transition." POC-045-WPAG.

While NRU supported the effort and believes the load may be eligible for service at a PF rate, NRU strongly objected to any special treatment for the load. NRU stated that "[g]iven Bonneville's apparent reticence to further augmenting the [Federal Base System], their treatment results in a direct and unacceptable cost shift to all other preference utilities and their end-use customers, who would otherwise be eligible to serve an equivalent amount of preference load at Tier 1 rates." NRU also argued that Bonneville has not provided adequate justification to include a unique carve out. POC-031-NRU.

Clatskanie did not support a unique adjustment for the DOE vitrification load and believes DOE Richland should be subject to the same CHWM calculation as other customers. In addition, Clatskanie requested that Bonneville clarify that it will uniformly apply the NLSL Policy across all loads, including the DOE vitrification load, when it is determining which loads are eligible for a CHWM and only if the load qualifies should it be included in consideration for the CHWM calculation. POC-020-Clatskanie.

PNGC and OPALCO did not support the draft Policy position and comment that serving the DOE vitrification load at a Tier 1 rate is not treating customers equally. PNGC and OPALCO recognized the load "requires the highest standard of electrical service" however, they comment that the "DOE vitrification load should receive a CHWM allocation based on actual load just like every other BPA customer." POC-046-PNGC; POC-013-OPALCO. Specifically, PNGC requested that Bonneville provide a legal determination on why DOE vitrification should receive Tier 1 energy differently than all other Bonneville customers. POC-046-PNGC.

Evaluation and Decision

Under Regional Dialogue, Bonneville adopted a subsequent CHWM adjustment to cover expected load growth at DOE Richland's vitrification plant. At the time, Bonneville recognized that "[o]ne of the U.S. Department of Energy's Strategic Themes is 'protecting the environment by providing a responsible resolution to the environmental legacy of nuclear weapons production.' The strategic plan includes a goal to achieve 'complete cleanup of the contaminated nuclear weapons manufacturing and testing sites across the United States.'" Regional Dialogue Policy ROD at 39. Bonneville recognized this important goal through a subsequent CHWM adjustment. DOE Richland expected the vitrification load to come online and ramp up to 70 aMW from FY 2010 to FY 2018 so Bonneville allowed an increase "up to a total of 92 aMW for increases in this load for on-site defense materials production and waste processing/disposal loads when they become operational." *Id.* at 40.

In the draft Policy, Bonneville proposed to serve up to 70 aMW of DOE Richland's vitrification plant load at a PF Tier 1 rate. This would provide DOE Richland with a CHWM up to a total of 70 aMW, which would account for load growth and any load online during the Regional Dialogue contract period. Commenters do not support Bonneville's inclusion of a subsequent CHWM adjustment for the purpose of serving DOE Richland's vitrification load. Several commenters question the policy basis for serving DOE Richland with power at a PF Tier 1 rate. PNGC and OPALCO recognize that that load may require a higher standard for service but comment that would not implicate price and highlighted that by granting this exception to one customer alone it has the potential effect of increasing all customers' PF Tier 1 rates.

Bonneville has determined it is reasonable to extend the time to provide additional CHWM for the DOE Richland vitrification load. Like under Regional Dialogue, this load is tied to a high-priority program addressing radioactive-waste from the nation's defense programs. [34] Construction of the vitrification plant has experienced delays due to design and safety concerns during the Regional Dialogue contract period. The project is immense and complex and one-of-a kind. As part of its ongoing regional support of environmental clean-up efforts that affect the Columbia River Basin, Bonneville supports DOE's efforts. As such, Bonneville's provision of additional CHWM to support this load is warranted.

However, recognizing commenters' opposition to this subsequent CHWM adjustment, particularly concern over cost impacts on a PF Tier 1 rate, Bonneville will limit the adjustment to the difference between DOE Richland's Provider of Choice CHWM and their base allowance, which is expected to be roughly 20 aMW. Bonneville will provide DOE Richland with access to power priced at a PF Tier 1 rate that it would have retained had the load operated in FY 2023. This compromise approach will limit the cost exposure of other customers.

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[34] *Indus. Customers of Nw. Utils. v. Bonneville Power Admin.*, Case, 388 Fed. Appx. 586 (9th Cir. 2010) (unpublished) (holding that Bonneville explained its basis for providing special treatment to the Department of Energy's Richland facility and did not act arbitrarily and capriciously).

Clatskanie requests that Bonneville clarify whether it would apply its NLSL Policy to the vitrification load. That will not be done; the DOE Richland Hanford Site Load, inclusive of the vitrification facility's load, constitutes a 100 MW CF/CT load. This administrative determination was made in 2005 after Bonneville concluded its public review of its NLSL and CF/CT Policy in 2002, wherein Bonneville decided there would be no closing or limiting of CF/CT load determinations. Therefore, DOE Richland is eligible to purchase power to serve the vitrification load within the 100 MW Hanford CF/CT site load at PF rates. It is an important distinction to note that federal government load is served as direct consumption load and therefore, like DOE Richland, encompasses a site rather than load differentiated by residential, commercial, and industrial sectors. Unlike utilities, federal agencies do not resell the power supplied by Bonneville to end-use consumers. If the vitrification demand pushes DOE's load beyond its CHWM, DOE Richland would be eligible to purchase power at a PF Tier 2 rate to serve the remaining CF/CT load. If DOE Richland's site load grows beyond its CF/CT amount, such load growth would be PF eligible until it grows beyond the CF/CT amount by 10 aMW or more in a 12-month monitoring period. Bonneville discusses CF/CT status in Issue 72.

WPAG had suggested that the load should be served by an SMR. This argument is beyond the scope of this policy. Bonneville has no influence over the DOE or DOE Richland regarding decisions to serve their vitrification facility with a specific resource just as it would not dictate any of its customers serve their load with a specific non-federal resource.

Bonneville updated Section 2.4.2.4 of the Policy to reflect the new cap of up to the difference between DOE Richland's Provider of Choice CHWM and their base allowance for the DOE vitrification load adjustment.

Issue 72: Should Bonneville provide additional CHWM to account for historic CF/CT loads?

Policy Proposal

Bonneville did not propose any unique CHWM treatment for CF/CT loads in the draft Policy. In Section 2.4.1.2 of the draft Policy, Bonneville stated CF/CTs could qualify for the economic adjustment to TRL.

Public Comments

Clatskanie requested Bonneville consider the treatment of returning CF/CT loads beyond the scope of the economic adjustment provision and what is provided in the CHWM calculation. POC-020-Clatskanie. Salmon River Electric Cooperative (Salmon River) and McMinnville, which also have CF/CT loads, likewise requested consideration outside of the economic adjustment.

Salmon River requested an adjustment to its CHWM that would reflect its anticipated service to the Thompson Creek Mine as the mine returns to full operations. It explained that "[t]he mine has never ceased to operate, nor has it not taken delivery of electric power in its forty plus years of operation, though it has had slow down periods due to the economics of mining." Salmon River stated that the mine "has had a peak load during full operations of 25 average megawatts and 30 megawatts" and at reduced operations the loads are "3 average megawatts and 6 megawatts." Salmon River requested Bonneville consider a unique carve out if a load met several conditions including that the load: must have been served at some point during the Regional Dialogue contract period, be reduced by at least 50% due to economic conditions, constitute at least 50% of the TRL of the customer, and return before the contract expires. Salmon River added that "all or a portion of a carve out may be pulled back if the single customer's full load is not present for 5 years of the POC contract." POC-047-Salmon-River.

McMinnville requested changes to the economic adjustment to provide an adjustment for its steel mill, which is McMinnville's largest customer and experienced lower energy demand in FY 2023 "[d]ue to the commodity-based nature of its industry." McMinnville proposed expanding the historical high load period to FY 2013, lowering the threshold to 3 aMW, and extending the recovery period through FY 2026. POC-015-McMinnville.

Evaluation and Decision

A CF/CT load, as defined in the Northwest Power Act, is a load that existed prior to September 1, 1979, that was either "contracted for" to be served by a Bonneville customer, or "committed to" by a Bonneville customer to be served. A customer must demonstrate based on evidence the existence of either of these two conditions. If the Administrator determines the load was contracted or committed to it is excluded from being determined an NLSL. A CF/CT load could also become an NLSL for any portion or amount of its electric demand that exceeds its administratively determined CF/CT amount by 10 aMW or more over a 12-month period.

A CF/CT load is included as part of a customer's general requirements load which is included in the amount of power sold by Bonneville at the established PF 7(b) power rate. This determination, in effect, grandfathers a customer's CF/CT large load into PF rate power sales. Under the Regional Dialogue contract, Bonneville guaranteed that CF/CT loads would be served at a PF rate but did not commit to serve at a PF Tier 1 rate. Bonneville had proposed to keep this construct for the Provider of Choice contract period.

Bonneville agrees there is a reasonable basis to consider the treatment of CF/CT loads that were operating during the Regional Dialogue contract period but have experienced a significant reduction in their load in FY 2023, but due to the timing of their load returning, precludes their inclusion in the economic adjustment. Because CF/CT load is served within the aggregated general requirements load of the customer and was included in the customer's below CHWM load for purposes of the Regional Dialogue and tiered rate construct, Bonneville is open to reconsidering the facts or conditions causing such load to reduce its demand on the customer. Beyond the scope of the economic adjustment provisions, Bonneville believes clarification for the treatment of returning CF/CT loads may be valuable within the term of the Provider of Choice contracts. In consideration of the administratively determined CF/CT loads, Bonneville included in the Policy a subsequent CHWM adjustment for customers with a CF/CT load that has experienced a significant load reduction that, due to the timing of their load returning, would otherwise not be eligible for the economic adjustment.

Bonneville does not want to undermine the tenet of the tiered rate construct that seeks to protect the value of the existing system from unbound acquisition costs. While Bonneville recognizes the unique circumstances of CF/CTs who experienced significant load reduction in FY 2023, it also still maintains that a CF/CT load is only guaranteed power served at a PF rate, not a guarantee to power sold at a PF Tier 1 rate. Therefore, Bonneville will limit the adjustment to those customers whose final Provider of Choice CHWM is lower than its base allowance.

In Section 2.4.2 of the final Policy, Bonneville included a new subsequent CHWM adjustment. Section 2.4.2.5 described the CF/CT adjustment that will increase a customer's CHWM if they have a qualifying CF/CT load. Section 2.4.2.5 has been added to read:

> Bonneville will increase a customer's CHWM if it has a CF/CT load whose electric power demand significantly dropped due to certain qualifying factors. The adjustment is to account for CF/CT loads that were adversely impacted in FY 2023 but do not qualify for the economic adjustment. To qualify for the adjustment, the customer must meet the following three requirements.
>
> First, to qualify, a customer's Provider of Choice CHWM must be lower than its base allowance. The adjustment will be capped at the difference between a customer's Provider of Choice CHWM and their base allowance.
>
> Second, the CF/CT load must: 1) be listed in the customer's Regional Dialogue Exhibit D; 2) have operated during the Regional Dialogue contract period; and 3) not have been demolished. Bonneville will take the highest consecutive 12-month operating period from FY 2012 to FY 2022 to establish the CF/CTs historic high load. The CF/CT load must have been operating at less than 50% of its historic high load in FY 2023.
>
> Third, the CF/CT load must resume production demand by October 1, 2028. Bonneville will measure the recovered load based on the highest consecutive 12-month operating period from FY 2024 through FY 2028. If the difference between the recovered load and the FY 2023 load is greater than the cap and the historic high load is greater than the cap, the adjustment will be set equal to the cap. If the difference is lower than the cap, the adjustment would be set equal to the difference between the recovered load and the FY 2023 load but will not exceed the historic high load.
>
> The CF/CT adjustment is tied to a specific load. If the CF/CT load ceases to consume electricity or significantly lowers the amount of electricity it consumes for

production demand, Bonneville will remove all or a portion of the CF/CT adjustment. Once the adjustment is removed, a customer will not have access to that portion of the adjustment again if loads were to return.

Customers must notify Bonneville if they believe they have a CF/CT load that qualifies. If Bonneville does not have meter data that isolates the specific CF/CT load to distinguish it from the rest of the customer's general requirements load, Bonneville will require the customer to submit such data for purposes of calculating the adjustment as well as to verify the CF/CT remains operational after the adjustment is granted. No adjustment will be applied if such data either does not exist or support the applicable qualifying factors.

A returning utility, as described in Section 2.4.1.9, will not qualify for this adjustment as it did not receive power from Bonneville during the Regional Dialogue contract period.

A CF/CT load could qualify for the economic adjustment to TRL as outlined in Section 2.4.1.2 of the Policy. If a CF/CT qualifies for the economic adjustment, the customer must take the economic adjustment and would not qualify for this subsequent adjustment.

Policy § 2.4.2.5.

4. Products and Services at Priority Firm Rates

Section 3 of the draft Policy described the product options Bonneville would offer public body, cooperative and federal agency customers to purchase firm power at a PF Tier 1 rate up to their CHWM load and options to purchase power for Above-CHWM load at PF Tier 2 rate(s). Bonneville intends to offer contracts for the following products: Load Following, Block, and Slice/Block. Bonneville also proposed to offer customers choices in how they serve their Above-CHWM load. The draft Policy stated that customers would elect to serve Above-CHWM load with federal power, non-federal resources, or a combination of the two.

Issue 73: Should Bonneville offer a suite of product options? Should the suite of products be equitable?

Policy Proposal

In Section 1 of the draft Policy, Bonneville explained that it is statutorily obligated under section 5(b) of the Northwest Power Act to offer contracts to sell firm power to meet the needs, when requested, of eligible regional public power utilities and IOUs. In Section 3.1 of the draft Policy, Bonneville intended to meet its 5(b) obligation for 5(b) customers through the following suite of product-based contract offerings: Load Following, Block and Slice/Block products.

In Section 3.1 of the draft Policy, Bonneville noted that an updated set of products could provide additional benefits or risks not contemplated under the Regional Dialogue products and services and that any detailed product discussions would take place during the policy implementation and contract development phase. In addition, Bonneville specified that product pricing mechanisms would be developed in the PRDM rate design phase of the process.

Public Comments

WPAG, Klickitat, AWEC, PPC, Snohomish and Tacoma expressed support for Bonneville offering a suite of products including, Load Following, Block and Slice/Block product options, and highlighted that Bonneville should provide diverse product offerings with optionality in how customers choose to serve their load. POC-045-WPAG; POC-056-Klickitat; POC-050-AWEC; POC-029-PPC; POC-033-Snohomish; POC-042-Tacoma. EWEB and Modern acknowledged that Bonneville should meet different customer needs through the provision of a diverse range of products. POC-044-EWEB; POC-007 Modern. Modern stated that "products should be priced equitably based on the value they deliver." POC-007-Modern. WPAG stated that Bonneville needs to provide a "balanced suite of viable products to provide approximate equivalent value between products: Clear definitions of the risks, benefits, and responsibilities for each product." POC-045-WPAG.

Snohomish and Fall River commented that Bonneville should offer products under Provider of Choice that leave customers "no worse off" than they are under Regional Dialogue and requested a product that allows them to meet load service obligations and enable participation in future markets. POC-033-Snohomish; POC-035-Fall-River. EWEB added that Bonneville "has not fundamentally renovated the product offerings or basic design of products to date." POC-044-EWEB. Cowlitz commented that Bonneville should offer products that "are workable for the duration of the contract, do not create undue cost shifts, preserve the value of the federal system, and maintain product equitability." Cowlitz commented that future products should allow customers flexibility to incorporate new loads and resources." POC-014-Cowlitz.

WPAG noted that, "multiple product offerings for the Provider of Choice contracts will help BPA better meet the diverse post-2028 needs of its differently situated customers, support the development of new generating resources, and provide risk mitigation and revenue diversity benefits directly to BPA and indirectly to its customers." POC-045-WPAG. PPC supported Bonneville offering an array of products as well as "equitable value proposition across product types achieved through the specifics of products features and rate design." POC-029-PPC.

Franklin expressed concerns about how the value between products is being assessed, specifically stating that the draft Policy "appears to encourage load following preference over Slice/Block preference." POC-026-Franklin.

Evaluation and Decision

Commenters support Bonneville's intention to offer a suite of products but noted concerns around potential changes to products as well as product equity. Bonneville recognizes that it has not provided product design details to allow full consideration of the specific products and their associated design features. Bonneville explained in numerous workshops and stated in the draft Policy that product design details will be developed during the policy implementation and contract development phase. After publication of this Policy, Bonneville will work with customers to design the Load Following, Block (including Block with Shaping Capacity option), and Slice/Block products. Bonneville and customers will consider the risks and benefits associated with each product during the product design phase.

Regarding product equity, Bonneville does not intend that all products offer the same features or the same value propositions. Bonneville designs various products to provide customers with options for serving their loads with varying levels of flexibility in operating non-federal resources. Bonneville will design products that clearly delineate what features and benefits each product provides, and customers will have an opportunity to determine which product is the best fit for them. Bonneville recognizes that a product a customer selected under Regional Dialogue may no longer meet a customer's needs for Provider of Choice. Each customer will need to determine which product best meets its needs.

Bonneville did not propose how products would be priced since applicable rates for such power sales and services have yet to be established. Bonneville understands customers feel that is an important aspect to consider when assessing whether the offerings are equitable. Bonneville expects that firm power products that provide more features will be subject to higher rates than those that provide a limited level of service. Under Regional Dialogue, for example, Bonneville meets the variability in loads for Load Following customers and therefore those customers pay a higher final rate than planned product customers. Some commenters acknowledged this paradigm in their comments in urging Bonneville to offer a balanced or equitable product offering. The PRDM will establish the rate framework and subsequent 7(i) proceedings will establish the pricing of Provider of Choice products and services. Bonneville will conduct the PRDM process in tandem with the policy implementation and contract development phase.

Issue 74: Should Bonneville re-evaluate its position on how non-federal resources are dedicated and applied to meet load across products?

Policy Proposal

In Section 3.1 of the draft Policy, Bonneville proposed different frameworks for the application of non-federal resources under each product. For the Load Following product, Bonneville would offer customers defined flexibility to add non-federal resources to serve load. Bonneville would require that customers provide Bonneville information regarding how those resources will be applied to serve load. To account for the value of the resource shape and other characteristics, Bonneville would require RSS, or its future equivalent as developed in the PRDM, as discussed in Section 2.3.3.5 of the draft Policy.

In contrast, Section 3.1 of the draft Policy stated that Bonneville's planned products (Block and Slice/Block) would offer customers greater flexibility in how they use non-federal resources to serve load. Customers electing a planned product would not be required to purchase RSS. Bonneville would only be responsible for providing firm requirements power to meet the customer's net requirement based on a forecasted annual amount. Planned product customers would be responsible for meeting any monthly, daily or hourly shaping needs to ensure reliable service for their customers.

Public Comments

PNGC and OPALCO commented that the requirement for Load Following customers to dedicate resources to load is inequitable compared to planned product customers. They claimed that when CHWMs are set, Load Following customers see dedicated resources as a reduction in CHWM while planned product customers are able to retain their CHWM by avoiding that deduction. They suggested this "creates a strong incentive for all BPA customers to avoid dedicating nonfederal resources to load due to the uncertainty of how the resources will be treated in the subsequent BPA contracts." POC-046-PNGC; POC-013-OPALCO. PNGC suggested that Bonneville should require all non-federal resources used to serve load be dedicated regardless of product type and/or not require load following customers to "irrevocably dedicate resources serving AHWM load." POC-046-PNGC.

Flathead commented that Bonneville's proposed requirement to dedicate non-federal resources was inequitable compared to planned products. Flathead requested that Bonneville "make clear policy statements stating their position that developing and dedicating non-federal resources does not force a load following customer to decrement their Tier 1 allocation." POC-034-Flathead. The AHWM Group similarly commented "since load following customers are required to dedicate any non-federal resources procured to meet load, there is far less ability for these customers to acquire resources in advance for load growth or run the risk of losing valuable Tier 1 allocation in the next contract period." The AHWM Group argued that this approach is not balanced since planned product customers do not face the same requirements and therefore could invest in non-federal resources but not dedicate them. The AHWM Group requested clarification on Bonneville's "intent on the balance between products." POC-024-AHWM-Group.

Snohomish "support[ed] the development of non-federal resources to meet load growth, and views viable Planned Products as central to accomplishing this goal." They commented that the construct provided under Regional Dialogue allowed planned product customers the ability to integrate their non-federal resources and requested that Bonneville preserves that framework under Provider of Choice. POC-033-Snohomish.

Evaluation and Decision

There is a marked difference in the degree of risk assumed by customers depending on the customer's product choice. The difference in product requirements for dedicating non-federal resources reflects the resource and supply risk accepted by customers that elect a planned product compared to customers that choose the Load Following product. Load Following customers receive the benefit of Bonneville's management of that risk.

Planned product customers are responsible for meeting their hourly load obligation above the planned power amounts Bonneville provides. In contrast, customers that choose a Load Following contract have the right to choose and dedicate non-federal resources to serve their load but those resources are, by the contract, expected to be used according to their forecast amounts since Bonneville's obligation is to meet the customer's needs in every hour net of the customer's resources. Should a Load Following customer's resource not produce power as forecasted, arrive as scheduled, experience an unplanned outage, or if a peak load event—such as a deep cold freeze—increases demand unexpectedly, Bonneville assumes that risk through its obligation to supply all the electric power needed by the customer to serve its load when such events occur. In order to plan for this load obligation, Bonneville needs to know how Load Following customers' non-federal resources will be used to serve load. Bonneville believes it is reasonable to maintain its policy proposal for dedicating non-federal resources as a key product design feature. As Snohomish acknowledges, the Policy is intended to allow customers flexibility in non-federal resources, consistent with the product chosen, for the Provider of Choice contract period.

The concerns that several commenters raise were not focused on non-federal resource flexibility within product design but rather focused on how Bonneville has proposed to treat non-federal resources in determining a customer's CHWM. Flathead, PNGC, OPALCO and the AHWM Group suggest that if planned product customers do not have to dedicate all non-federal resources to load then it unfairly advantages those customers in setting CHWMs for the next power sales contracts because those resources are not accounted for in calculating CHWM. Bonneville addresses why non-federal resources should be included in the CHWM calculation in Issue 51.

Bonneville does not agree with the comment by PNGC and OPALCO that Load Following customers are treated inequitably regarding dedication of resources. Regardless of their product, all customers dedicate non-federal resources (specified and unspecified) they elect to use to serve their retail load pursuant to terms and conditions in their Regional Dialogue power sales contract. Under the Regional Dialogue contracts, all customers are subject to the same application of resources that become dedicated during the term of the power sales contract. Consistent with the Northwest Power Act, resources that are dedicated shall be treated as continuing to be used to serve a customer's load under subsequent section 5(b) contracts unless such use is discontinued because of obsolescence, retirement, loss of resource, loss of contract rights, or with the consent of the Administrator. 16 U.S.C. §839c(b)(1) (2022).

Bonneville and its customers negotiated the terms of the Regional Dialogue contract to provide for flexibility in the types of resources that could be used by customers during the term of the contract. Customers have latitude in choosing their resources which can be: (1) physical generating resources they develop, own, and operate; (2) power purchased from a specified resource like the Mid-Columbia non-federal dams; or (3) unspecified resource amounts that represent a megawatt amount of power with which the customer is obligated to serve its load. Many unspecified resource contracts are expected to expire at the same time as the Regional Dialogue contracts. Bonneville recognized this and in the Regional Dialogue contracts included a provision that customers have no obligation to continue to apply their associated unspecified resources amounts.

Bonneville does not believe that it should shift its product design requirements to influence future choices for subsequent long-term power sales policy and contracts. Bonneville will maintain its draft Policy approaches for dedicating non-federal resources under the various product offerings.

Issue 75: Should Bonneville provide all product offerings to customers that operate a balancing authority?

Policy Proposal

The draft Policy did not address whether it intended to offer all products to all PF customers, including those that operate their own balancing authority.

Public Comment

Grant commented that it "should have access to the same suite of products and services as any other PF customer." POC-012-Grant.

Seattle commented that the Load Following product is the "only preference BPA product that meets BPA's hourly firm load obligations." Seattle requested that Bonneville "develop and offer a product option that would allow BAs to meet their hourly firm load and without waivers" since Seattle could not take the Load Following product under the Regional Dialogue contract as Seattle operates its own balancing authority. POC-039-Seattle. The PPG requested that Bonneville offer an "alternative contract, without waivers, be offered concurrently with the Provider of Choice contracts. This includes a contract that can be accepted by a utility that operates its own balancing authority area, as well as one that may do so in the future." POC-037-PPG.

Tacoma commented that Bonneville "erroneously rel[ies] on its offering of a load following product to satisfy its statutory obligations." Tacoma stated that this solution is erroneous because Tacoma is a North American Electric Reliability Corporation-recognized (NERC) balancing authority and, by policy, Bonneville ". . . has excluded Tacoma Power from purchasing a load following product." POC-042-Tacoma.

Evaluation and Decision

Grant, Seattle and Tacoma are NERC-recognized balancing authorities. A balancing authority is the responsible entity that integrates resource plans ahead of real-time operations, maintains load and resource balance within a balancing authority area, and supports interconnection frequency in real-time. Bonneville also operates its own balancing authority area. All three commenters requested that Bonneville make the Load Following product, or a comparable offering, available to balancing authority customers.

Bonneville recognizes that there would be significant challenges in offering the Load Following product to customers who operate their own balancing authority because the customer would be required to provide visibility of their resources to Bonneville and coordinate the operation of such resources. This would add significant complexity to balancing authority functions such as providing ancillary services and maintaining reserves. Bonneville recognizes that customers may wish to retain flexibility to operate their resources to perform balancing authority functions and make sales of power. Therefore, Bonneville offers planned products to customers which provide less certainty regarding hourly, weekly, monthly and annual load service, but allow more flexibility for customers to manage their own resources.

There is no requirement for any customer to operate as a balancing authority. A balancing authority, which is also a Bonneville customer, could change its status as a balancing authority area and have its electric power supply needs net of its non-federal resources supplied by Bonneville on an hourly basis. In doing so, that customer's resources would be operated in coordination with Bonneville's larger system of resources – both federal and non-federal. If any such customer would like to consider the Load Following product, Bonneville is open to discussing it. Bonneville addresses Seattle's claims on waivers in Issue 85.

Bonneville will not guarantee that all product and service offerings described in the Policy are available to balancing authorities.

Issue 76: Should Bonneville commit that products will fit emerging needs and will change as needs change?

Policy Proposal

In Section 3.1.2 of the draft Policy, Bonneville acknowledged that emerging markets would have implications for the Provider of Choice products and services design. Bonneville explained that it would design Provider of Choice firm power products to accommodate potential changes that emerging markets may bring. Customers would need to evaluate which product offering is the best fit for them under Provider of Choice and weigh the costs, benefits, and risks associated with different products in light of the emerging market landscape. Bonneville might need to address foundational product characteristics to align products with emerging markets as requirements unfold. Bonneville anticipated discussing how product offerings will adapt to align with emerging markets during the policy implementation and contract development phase and in the PRDM process as emerging market designs mature.

Bonneville did not address how other emerging landscape topics like the WRAP may impact product offerings.

Public Comments

Commenters did not discourage Bonneville from making products compatible with emerging markets but requested Bonneville provide additional details on what compatibility will mean. Grant requested that Bonneville provide clarity on how its products would be compatible with the WRAP. POC-012-Grant. Franklin commented that they have concerns about how several issues could impact the "value between products" including "expanding markets, day-ahead market compatibility with the Slice product and WRAP." POC-026-Franklin.

PPC commented that it believes all "product offerings must be adaptable to evolving market structures while maintaining the core value of net requirements service at cost and preference for public power utilities." PPC recommended that Bonneville provide initial details of how products would change to be compatible with a market. PPC also expressed that the Slice/Block product could be compatible with a day-ahead market. POC-029-PPC.

Seattle acknowledged that "BPA must exhibit flexibility in its products and processes in order to maximize benefits from emerging markets." Seattle encouraged Bonneville to adopt new approaches and power products that would facilitate its market participation. Seattle "appreciates that BPA has laid the groundwork with customers throughout the POC process that there may need to be future changes made to anticipated planned products and operations in order to ensure market compatibility[,]" and "[t]hese changes may also impact load following customers." POC-039-Seattle.

WPAG commented in support of the policy proposal to design power products compatible with emerging markets. WPAG commented that Bonneville should continue to work with customers to offer a suite of market-compatible products. POC-045-WPAG.

Snohomish supported Bonneville's decision to participate in WRAP and its exploration of day-ahead markets. Snohomish believed that products should be compatible with whatever programs or markets Bonneville joins and that the benefit is shared among customers regardless of product type. In addition, Snohomish commented that "planned products must be designed to facilitate customers' ability to meet WRAP and day-ahead market requirements, including obligations to offer sufficient capacity and flexibility to the market." POC-033-Snohomish.

Several commenters focused on specific products and their compatibility with emerging markets. EWEB commented that it does not support keeping the Load Following product the same as it was under Regional Dialogue. EWEB requested that the "Load Following product [] be reimagined to better reflect future market dynamics." EWEB commented that nothing inherent about the Load Following product precludes direct settlements, therefore Bonneville should explore alternative designs to offer more customer optionality, including market dispatch and settlement. Additionally, EWEB cautioned that "adding complex dispatchable [non-federal] hydro to the Load Following product would increase operational challenges for BPA." POC-044-EWEB.

Modern, PPC, WPAG, Lewis, Franklin and Snohomish submitted comments on Bonneville's proposal to make the Slice/Block product compatible with emerging markets. POC-007 Modern; POC-029-PPC; POC-045-WPAG; POC-055-Lewis; POC-026-Franklin; POC-033-Snohomish. Modern requested Bonneville reconsider its approach for the Slice/Block product and compatibility with day-ahead markets stating that "we find the reasoning provided thus far lacking." POC-007-Modern. PPC commented that it has not seen a "compelling reason that the [Slice/Block] product would be fundamentally incompatible with a day-ahead market." PPC urged Bonneville to weigh the administrative complexity and risk of Slice/Block customers switching to the Load Following product when redesigning the Slice/Block product. POC-029-PPC.

WPAG encouraged Bonneville to work with customers to make refinements to the Slice/Block product to accommodate the changing landscape but in a way that maintains the desirability and workability of the product. WPAG expressed concern "whether the potential changes that BPA may require to the Slice/Block product could render the product unworkable for customers." POC-045-WPAG. Lewis expressed similar concerns. POC-055-Lewis.

Franklin commented that it was concerned about the future of Slice/Block revolving around peak net requirements, day-ahead market compatibility, and WRAP compatibility as well as resolving these concerns in the current process timeline. POC-026-Franklin. Snohomish stated that the slice portion of the Slice/Block product "must be able to participate directly or indirectly in a Day-ahead market." POC-033-Snohomish.

The NWEC Group expressed concern that Tier 2 product design details are not included in the draft Policy for public comment. The NWEC Group stated that "[t]o the extent that Tier 2 product design is being driven or informed by day-ahead market design, it would be prudent to wait until relevant market design components are approved prior to making a policy decision, and subsequently seeking public comment, on Tier 2 product design." POC-028-NWEC-Group.

Evaluation and Decision

Some commenters request that Bonneville commit to ensuring that products meet needs established by emerging programs and markets while others do not oppose this direction but express reservations.

Bonneville did not mention WRAP compatibility in the draft Policy but recognizes that WRAP is an emerging program in the region that is still evolving as utilities in the region determine when and whether to join and participate in the binding program. Bonneville addresses how WRAP will factor into net requirements determinations and products in Issue 12. Bonneville's products will vary in design and establish different load and planning obligations that Bonneville must serve. Bonneville will ensure that it is clear in its offerings how planning obligations may translate to WRAP compliance. Bonneville will not commit to every product providing customers guaranteed WRAP compliance, as many customers have resource portfolios that could contribute to the forward showing.

Bonneville acknowledges commenters' interest in understanding how products will be compatible with emerging markets under future contracts. This includes compatibility for Load Following, Block, Slice/Block and Above-CHWM service offerings at a PF Tier 2 rate. Bonneville will work with customers to address the issues of product design and provide additional clarification on how products would function in an emerging market during the policy implementation and contract development phase. Bonneville is closely monitoring emerging market development and is committed to engaging customers in ongoing discussions as market design features mature. If needed, Bonneville may also address compatibility issues in the PRDM and/or subsequent rate-setting processes. Bonneville will consider the issues raised by commenters in subsequent Provider of Choice processes, including how the Load Following and Slice/Block products would function in an emerging market.

Issue 77: Should Bonneville offer a resource adequacy transfer product?

Policy Proposal

Bonneville did not propose a resource adequacy transfer product in the draft Policy.

Public Comments

E3 advocated for a resource adequacy transfer product to address a mismatch between a customer's WRAP forward-showing requirement and the amount of WRAP-accredited federal capacity it is allocated by Bonneville. Under E3's proposal, the transfer product would re-allocate capacity among customers based on who is long and short with corresponding sales and purchases. Bonneville would facilitate market purchases if there was no available capacity to re-allocated. POC-018-E3.

Seattle commented that Bonneville should offer a new Block a resource adequacy transfer product where the resource adequacy transfer would be a hold back similar to the WRAP's resource adequacy transfer product mechanism. If the customer needs to call upon the transfer product for any amount beyond its scheduled energy delivery to its peak net requirements, it would be priced at a PF rate. Any capacity needed beyond a customer's peak net requirements would be priced at the Firm Power Product and Services (FPS) rate and therefore subject to availability of offered surplus similar to Bonneville's current PRM product proposal. POC-039-Seattle.

Evaluation and Decision

Bonneville does not allocate physical amounts of power (energy and/or capacity) when supplying electric power to serve customer net requirements under Northwest Power Act section 5(b) long-term contracts. The passage of the Northwest Power Act granted the Administrator the authority to acquire cost-effective resources on a long-term basis to expressly avoid allocating the physical capability of the FCRPS. The planned products (Slice/Block and Block) Bonneville now offers limit the amount of power Bonneville is obligated to supply on a planning basis because the customers choosing such products are contractually obligated to ensure they have non-federal resources that are adequate and sufficient to meet their needs net of Bonneville's supply of electric power. In order for E3's resource adequacy transfer product proposal to be viable, Bonneville would need to allocate its system among customers and tier capacity. While Bonneville cannot allocate its system that, it can allocate costs among different rates. Bonneville's CHWM construct allocates costs, not a physical share of resources. Bonneville has also not agreed to tier capacity, as discussed in Issue 45. Therefore, Bonneville cannot consider a resource adequacy transfer product as proposed by E3.

Seattle proposes a new add-on to the Block product that would provide a resource adequacy transfer product. One feature of this product leverages a proposed PRM product as discussed in Issue 78. Bonneville would prefer to keep these concepts separate, especially as the PRM service, if offered, would only be offered in rate periods when Bonneville determines it has firm power that is surplus and available. In addition, Bonneville has proposed other products that provide additional capacity support, including a Block with Shaping Capacity option.

Bonneville also believes that the Block with Shaping Capacity option could provide some of the additional capacity requested if paired with a newly proposed load variance service, as discussed in Issue 14. Bonneville believes that the combination of this product and service could help meet peak loads of a planned product customer during extreme peaking events in addition to the customer's non-federal resource use to supply capacity. Bonneville will explore these concepts during the policy implementation and contract development phase.

Finally, if a customer is a participant in the WRAP, the customer may pursue a resource adequacy transfer product under the WRAP program to meet its needs. Bonneville will not offer a resource adequacy transfer product in the Policy.

Issue 78: Should Bonneville explore a firm surplus PRM service?

Policy Proposal

In Section 3.1 of the draft Policy, Bonneville stated that it was open to exploring an additional stand-alone PRM product to help planned product customers meet WRAP requirements, provided Bonneville determines it has (1) firm capacity that is surplus and available, and (2) the firm capacity is not obligated on a planning basis to be offered to the Long-term Tier 2 rate. Bonneville stated that any specific details would be part of detailed product and rate design discussions but that it intended to sell the product at a yet-to-be established FPS rate.

Public Comments

WPAG emphasized that "WRAP compliance will be important for all Bonneville customers during the Provider of Choice contracts not only for resource adequacy purposes but also for potential day-ahead market participation purposes." WPAG was encouraged by Bonneville's offer to explore a PRM product that could support planned products and keep them viable options. POC-045-WPAG. Mason 3 said it was encouraged that Bonneville would offer a PRM product to help planned product customers meet WRAP requirements. POC-022-Mason-3.

EWEB commented they believed Bonneville "would be required to prioritize sales for Tier 2 services as a fulfillment of a net requirements obligation before offering any sales of non-PF planning reserve margin product for Planned Product customers." EWEB requested Bonneville clarify if their understanding was correct. POC-044-EWEB.

The NLSL Group requested Bonnville offer a PRM product for NLSLs served by Bonneville at the NR rate. POC-032-NLSL-Group.

Evaluation and Decision

Bonneville is willing to explore, in development of the PRDM, a PRM service that leverages surplus firm power when Bonneville determines there is surplus firm power available. Bonneville may offer surplus "firm power" that is surplus after meeting the Administrator's obligations under sections 5(b), (c), and (d); or "non-firm" that is surplus based primarily on seasonal hydro conditions. At times, Bonneville may have little to no surplus firm power available if the Administrator's contractual 5(b), (c), or (d) supply obligations require the full use of all available firm power. And, while Bonneville often has non-firm surplus available during the spring, non-firm surplus may not be available on an assured firm power planning basis over the remaining months.

If Bonneville decided to offer a PRM service, Bonneville would determine if it has surplus capacity available that it could offer and sell to meet planned product customer needs, such as to meet WRAP PRM requirements that cannot be met with their planned product, and would notify its customers. Further, Bonneville would serve its other 5(b), (c), or (d) obligations, including Tier 2 obligations, prior to determining that it has firm surplus capacity available to use for a PRM service, as correctly described by EWEB. Bonneville has not contemplated whether it would offer a PRM service to loads served at the NR rate.

To avoid confusion, Bonneville has updated the Policy to read "PRM service" as opposed to "PRM product" to reflect that this would be an add on service to accompany other PF product offerings. Bonneville does not intend it would be a standalone product offering.

Issue 79: Should Bonneville clarify the timeline for product switching?

Policy Proposal

In Section 3.1.1 of the draft Policy, Bonneville stated that it would include a one-time right for customers to request a change to their product election during the term of the contract. However, any customer request to change products would be subject to cost-shift assessments and conditions such as defined election windows and/or requiring the start of power deliveries under the new product to align with the start of a rate period. Bonneville would develop specific product switching requirements during the policy implementation and contract development phase.

Public Comments

Bonneville received multiple comments supporting a one-time right to switch products under Provider of Choice contracts. POC-031-NRU; POC-042-Tacoma; POC-046-PNGC; POC-060-AWEC; POC-045-WPAG. WPAG commented that Bonneville's proposal is consistent with WPAG's proposed adaptable contracts principle, which recognizes the need to allow a product switch option so customers can, "successfully navigate the evolving energy landscape and challenges they will face during the post-2028 period." POC-045-WPAG.

AWEC supported Bonneville's proposal to develop specific product switching requirements and consideration of cost shifts. AWEC added that product switching options should be priced in such a way to avoid "offering of free 'options' to customers for purely economic benefit." They also commented that the policy should include "[p]roduct switching to meet customer needs within the changing realities of organized market participation or necessary new products like low or carbon-free energy[.]" POC-050-AWEC.

PNGC requested that Bonneville specify the timing for a product switch, suggesting that since "customers are being asked to sign the new contract in 2025, we suggest notice in 2032 for implementation in 2034 may be appropriate." POC-046-PNGC. Tacoma requested that if Bonneville proposes to implement a recall or restriction, then the customers should be permitted to switch products and have a viable alternative product to switch to. POC-042-Tacoma.

NRU had no objections to the product switching approach outlined in the draft Policy. POC-031-NRU.

Evaluation and Decision

Bonneville believes that product switching windows, eligibility, and requirements are better suited for development in concert with the development of other important contract terms during the policy implementation and contract development phase. There are many situations where a customer may find it makes sense for them to switch products and as AWEC notes, any product switching option must consider multiple factors. AWEC and WPAG add that contracts will need to be adaptable to future needs and specifically consider the impacts of Bonneville's day-ahead market policy direction, carbon legislation, and electrification across the region. Bonneville agrees that these and other considerations could inform the design and timing of when a customer could have a contractual right to switch products. For example, anticipated timing around regional electrification could impact when an appropriate election window may be considered for a customer to change products. PNGC suggests a product switch option that provides notice in 2032 for implementation in 2034. Bonneville would like to better understand the details behind the suggested timing along with input from other commenters during the policy implementation and contract development phase.

Tacoma requests a product switch option if Bonneville decides to implement a recall or restriction. Bonneville assumes Tacoma is referring to what has been colloquially referred to by customers as a "claw back" of surplus capacity that Slice/Block product customers may be receiving during a period in which the non-Slice system is capacity deficit, which had been discussed in Bonneville's concept paper. Alternatively, Tacoma may be referring to an actual need to restrict and curtail the sale of firm power due to insufficient resources available to the Administrator to meet their contract obligations. Bonneville intends to clarify how peak net requirements will be implemented by product ahead of contract offers. Bonneville does not believe an option to switch products due to a "claw back" is necessary because Bonneville describes how it does not intend to implement a "claw back" as discussed in Issue 14. If Bonneville were to determine consistent with section 5(b) of the Northwest Power Act that after a reasonable period of experience it cannot be assured on a planning basis to meet its load obligation, Bonneville has the contract right to restrict sales consistent with Bonneville's insufficiency and allocation methodology. Bonneville does not believe it would be appropriate to have a right for customers to switch products based on insufficiency because this would be an issue that affects all customers regardless of product choice. Therefore, Bonneville does not believe a product switch provision based on recall or restriction related to peak net requirements, or insufficiency, should be included in the Policy.

The draft Policy included some key considerations for assessing the timing of product switching. These considerations include cost-shift assessments, defined election windows and/or requiring the start of power deliveries under the new product to align with the start of a rate period. The intent behind a successfully designed product switch would be to isolate any stranded costs from impacting other customers while providing optionality for customers to meet their internal business needs considering Bonneville's product offerings. In the Policy, Bonneville will not specify additional information regarding the one-time right for customers to request a change to their product election during the term of the contract. Bonneville and customers will engage in more detailed conversations about appropriate conditions for a customer to switch products in the policy implementation and contract development phase.

4.1 Load Following

In Section 3.2 of the draft Policy, Bonneville proposed that it would offer the Load Following product, which would serve a customer's energy and peak net requirements load on an hourly basis.

Issue 80: Should Bonneville offer the Load Following product as proposed?

Policy Proposal

In Section 3.2 of the draft Policy, Bonneville proposed that it would offer the Load Following product and did not anticipate major changes to the product from the Regional Dialogue construct.

Public Comments

Mason 3, WREC, Springfield, Surprise Valley, Inland and NRU commented that they support the draft Policy proposal to offer the Load Following product and, in particular, appreciated that Bonneville does not anticipate major changes to the product. POC-022-Mason-3; POC-027-WREC; POC-036-Springfield; POC-060-Surprise-Valley; POC-001-Inland; POC-031-NRU. Inland expressed support for continuation of the Load Following product primarily as it operates under the Regional Dialogue contract but with modifications to support non-federal resources. POC-001-Inland. Lewis commented in support and also noted that the Load Following and Block products are "foundational components of product choice". POC-055-Lewis. Snohomish commented that it appreciates the certainty Bonneville has provided on the load service aspects of the Load Following product. POC-033-Snohomish.

While NRU noted general support for the product, it expressed concern about the lack of clarity around peak net requirements relative to the Load Following product. This issue has been addressed in Issue 14. POC-031-NRU.

Evaluation and Decision

Bonneville appreciates the comments in support of retaining the Load Following product without major changes to the product from the Regional Dialogue construct. Bonneville will maintain its draft Policy position.

Issue 81: Should Bonneville clarify in the Policy that the Load Following product will serve a customer's hourly energy and peak net requirements load?

Policy Proposal

In Section 3.2 of the draft Policy, Bonneville stated that the Load Following product would meet a customer's net requirements load, including peak load. The draft Policy did not specifically state that Bonneville would serve a Load Following customer's hourly firm power load requirements.

Public Comments

Multiple commenters requested that Bonneville include language clarifying that the Load Following product will cover customer's hourly energy and peak net requirements load. WPAG stated that Bonneville should be "crystal clear as to how it will continue to serve the *hourly* energy and *hourly* peak net requirements of Load Following customers under the Provider of Choice contracts." WPAG explained that this change is necessary and would be consistent with the section 5(b)(1) of the Northwest Power Act, its legislative history, and Bonneville's 5(b)/9(c) Policy. POC-045-WPAG.

NRU commented that given the uncertainty around the peak net requirements section, it was concerned that the draft Policy did not state the Load Following product would cover a customer's net requirements on an hourly basis. NRU requested that the final Policy include the language: "Bonneville will offer the Load Following product, which will serve a customer's net requirements load, including peak load, on an hourly basis." POC-031-NRU. McMinnville similarly requested Bonneville to add clarifying language and supports the language offered by NRU. POC-015-McMinnville. Finally, PPC commented that "[a] load following product is essential to meet customer net requirements on an hourly basis and provide certainty of load service." POC-029-PPC.

Evaluation and Decision

Bonneville's exclusion of the word "hourly" in relationship to the service that it provides under the Load Following product was not intended to suggest that Bonneville would not meet a Load Following customer's energy and peak net requirements need on an hourly basis. To the contrary, under the Load Following product, Bonneville sells firm power to supply all of the customer's firm power load, net of the customer's resources, on an actual metered load basis.

Bonneville's Load Following product design obligates Bonneville to supply power to meet the variations in the customer's actual hourly load. Each Load Following customer receives from Bonneville exactly the hourly firm power amount it needs for load service beyond power provided by the customer's dedicated resources. If the customer has a dedicated resource, then Bonneville accounts for the amount of firm energy and peaking capability from the dedicated resource for each hour as required by the power sales contract. Bonneville provides firm power to meet the customer's energy and peak net requirements on an hourly basis. This is consistent with the Northwest Power Act's directive to offer contracts to meet a customer's firm power load to the extent that such firm power load exceeds its 5(b)(1)(a) and (b) resources.

The final Policy has been updated to reflect that the Load Following product will meet a customer's load on an hourly basis.

Issue 82: Should Bonneville define the contractual shape requirements of non-federal resources for the Load Following product as well as the applicability of charges that would apply to non-federal resources?

Policy Proposal

Section 3.1 of the draft Policy discussed how the Load Following product would offer customers defined flexibility to add non-federal resources to serve load. Bonneville would require that customers provide information regarding how non-federal resources will be applied to serve load. To account for the value of the resource shape and other characteristics, Bonneville would require RSS, or its future equivalent as developed in the PRDM, as discussed in Section 2.3.3.5 of the draft Policy.

Bonneville stated in Section 2.3.3.5 of the draft Policy that it is important to maintain cost causation principles when allocating costs associated with integrating and shaping customers' non-federal resources under a tiered rate construct. Bonneville achieved this under Regional Dialogue by requiring customers to purchase RSS and by not allocating such costs to either the Tier 1 or Tier 2 cost pools. Bonneville proposed that it would continue to account for the costs associated with shaping non-federal resources during the Provider of Choice contract period. During the policy implementation and contract development phase as well as the PRDM process, Bonneville would determine whether to maintain the RSS requirement or propose a broader shift in capacity rate design based on a similar cost-causation principle.

Public Comments

Flathead requested that Bonneville "not require the Load Following customer to bring in resources on a flat block basis and encumbered by RSS." Flathead commented that these requirements make developing and operating non-federal resources more complex and expensive. Flathead suggested that Bonneville should allow different renewable resource shapes and should "consider clearing variances between scheduled and actual generation using the EIM rather than RSS." POC-034-Flathead.

Evaluation and Decision

Bonneville specified in the draft Policy that its intent was to require RSS, or its future equivalent, for customers electing the Load Following product. Bonneville would make the service available to planned product customers but not require RSS based on the nature of the planned product where customers are contractually obligated to serve their hourly loads and meet planning obligations. Bonneville stopped short of committing to specific RSS implementation but expressed that further discussion of load shapes and other characteristics would be needed.

Flathead requests that Bonneville not require customers' non-federal resources be applied in flat blocks. Under Regional Dialogue, Bonneville provided customers flexibility to apply various non-federal resource shapes to load. Bonneville did not limit resource shapes to a flat block. Bonneville offered shapes that included "the ability to directly apply the actual output of non-dispatchable resources to load in whatever shape that resource actually produces power . . .." Regional Dialogue Contract ROD at 13. This approach ensured that customers could pursue a wide variety of non-federal resource developments and were not limited based on a single shape. Bonneville did, however, evaluate the costs and benefits of differently shaped resources as compared to a common benchmark, which is a flat block of power. Resources that provided predefined shapes were expected to cost less to integrate to a load's actual shape compared to those that are highly intermittent or have uncertain generating profiles. Bonneville's approach for determining costs and benefits based on product integration options allowed for standardized and equitable treatment across all customers in order to support the principle of cost causation.

Bonneville will apply a similar approach during the Provider of Choice contract period, whether that is through RSS or a subsequent equivalent service. Bonneville intends to build on the approach used for Regional Dialogue as it has worked well to ensure cost causation is maintained to insulate customers from the costs associated with other customers' non-federal resource decisions. Bonneville will not define the allowable resource shapes nor the financial impacts in the Policy or in this ROD.

While Bonneville believes the approach and method for determining allowable non-federal shapes worked well under Regional Dialogue, Bonneville will discuss this approach with customers during the policy implementation and contract development phase to explore whether there should be any changes to that approach. Bonneville will address rate-related specifics with respect to different resource shapes in the PRDM process and/or future 7(i) processes when these rate-related issues become ripe for decision.

4.2 Block and Block with Shaping Capacity Option

In Section 3.3 of the draft Policy, Bonneville proposed it would offer the Block product, which is a planned product that would provide firm power each month on a planned annual basis to meet a customer's planned annual net requirements load in pre-defined quantities and shapes. In Section 3.3.1 of the draft Policy, Bonneville proposed it would offer a Block with Shaping Capacity option that would allow customers to reshape their hourly block amounts based on the monthly characteristics of their net requirements load.

Issue 83: What standard shapes will Bonneville offer for the Block product?

Policy Proposal

In Section 3.3 of the draft Policy, Bonneville proposed to offer the Block product in equal flat amounts across all hours of the year or as a block shaped to a customer's monthly net requirements amounts. Bonneville stated that it would evaluate whether it would offer these monthly amounts to be provided in equal amounts across all hours instead of in heavy load hour and light load hour splits.

Public Comments

Seattle, Tacoma, EWEB and NRU provided comments on what shape Bonneville should offer for the Block product. EWEB stated that a flat block would not meet their needs because they require a product that has additional flexibility and capacity to meet their customer needs. POC-044-EWEB. Tacoma acknowledged that diurnal periods are becoming less relevant in emerging markets and yet requested that Bonneville provide a diurnal block shape since Northwest loads continue to reflect a daily diurnal shape. POC-042-Tacoma.

Seattle stated that they currently take and find value in the diurnal block shape and asked Bonneville to affirm it would continue to offer the diurnal block shape. Seattle provided an example from their Integrated Resource Plan demonstrating the value that diurnal shapes provide, with extra capacity, to help meet their peak loads, stating that "City Light's planning staff believe it is a vital element of the utility's strategy to provide reliable load service." Seattle explained that pre-established diurnal amounts provide Bonneville planning certainty and that Block with Shaping Capacity option was not a good substitute for them since it requires payment for operational flexibility they do not need. POC-039-Seattle.

NRU commented that they had "no objection to the proposed language in the draft Policy." POC-031-NRU.

Evaluation and Decision

Bonneville appreciates the comments from Seattle, Tacoma and EWEB that they would value a more flexible Block product. Bonneville will continue to offer customers the Block product in equal flat deliveries across all hours of the year or as a block shaped to the customer's monthly net requirements. Bonneville will also consider whether to offer additional Block shapes as requested by commenters.

Seattle and Tacoma request that Bonneville offer a diurnal block shape. When Bonneville contemplated whether to offer a diurnal block shape, it considered the changing wholesale power landscape, including emerging markets. Bonneville anticipates that the value derived from traditional diurnal shapes may be shifting as the customer load and resource profiles change. Bonneville proposed not to offer a diurnally shaped block because the agency concluded that a flat block across all hours could be more valuable for customers. Seattle and Tacoma commented that the value of the diurnally shaped block is that it assists with load service and their loads still have a diurnal shape. Bonneville will offer a diurnal block shape to serve net requirements. The agency will allow a customer that elects to shape its block into its monthly net requirements shape to take that monthly amount in diurnal shapes. Bonneville intends to require that the amounts be shaped to the customer's net requirements load with up to 60% of the megawatt hours in the heavy load hour period.

Bonneville will not provide any additional block shapes for the standalone Block product. Commenters, including EWEB, noted that a flat block may not provide the capacity or flexibility a customer may require. The Block product is not meant to supply such flexibility; it is intended as a flat block of power. As such, Block customers assume the obligation to assure they have adequate non-federal resources/power supply to meet any variations in load. If customers are looking for additional product features, Bonneville encourages them to engage in discussions of other products such as the Block with Shaping Capacity option.

Bonneville updated Section 3.3 of the Policy to reflect that it will also offer a diurnally shaped block. Bonneville will develop additional product design details during the policy implementation and contract development phases. Bonneville anticipates that there will be discussions around the pricing for the different block shapes, and rate-related issues will be discussed in the PRDM and/or future 7(i) rate proceedings.

Issue 84: How often should Bonneville recalculate the shape of a customer's block during the Provider of Choice contract period?

Policy Proposal

In Section 3.3 of the draft Policy, Bonneville proposed that each customer's monthly net requirements shape would be established at the start of the contract and that Bonneville would allow one recalculation of that shape during the contract period.

Public Comments

Tacoma, NRU, PNGC and OPALCO commented on the draft Policy's proposal for updating the block shape during the Provider of Choice contract period. Tacoma advocated for more frequent updates during the contract and suggested that this would prevent the block shaping factors from "becoming stale and diverging from utilities' changing load shapes." Tacoma commented that Bonneville could refresh block shapes by using Bonneville's load forecasts that reflect normal weather and are vetted by Bonneville staff. Tacoma suggested this approach could address concerns around workload and need to weather normalize actual data to calculate the block shapes. POC-042-Tacoma.

NRU had no objection to Bonneville's proposal to update the load shapes and stated that "the opportunity to recalculate a customer's block shape during the contract period represents a commitment to product flexibility." POC-031-NRU.

PNGC and OPALCO commented that a one-time block recalculation does not address concerns they have raised regarding CDQs or its successor. They stated that "a single arbitrary point in time is not a sound basis for cost allocation and equity across products." PNGC requested Bonneville scrap CDQs and find a different demand charge mechanism based on actual loads.

OPALCO suggested that CDQs should also be updated to reflect changing load shapes. POC-046-PNGC; POC-013-OPALCO.

Evaluation and Decision

Bonneville agrees with commenters that refreshing the block shape allows the contracts to more accurately reflect changes that may occur in customer loads over time and provides product flexibility. Bonneville proposed to offer a one-time recalculation to provide additional flexibility that was not included in the Regional Dialogue contracts.

Regarding whether Bonneville could offer more frequent updates to block shapes, Tacoma accurately described Bonneville's workload concerns. Bonneville intends to establish block shapes using weather normalized data to form a picture of the utility's load shape so that block shapes may better match. Using historical actual data will also limit the uncertainty around load shapes across 12 months as proposed by Tacoma. Bonneville does not intend to use forecasts for establishing the block shapes.

PNGC and OPLACO express concerns about equity across products. In response to this concern, future policy implementation and contract development workshops will work through product details, including when and how the block shapes will be updated. At that time, Bonneville expects to have similar design conversations about other products. Bonneville notes that each customer must evaluate the costs, benefits, and risks associated with the various Bonneville product offerings and determine what product best fits its needs.

Bonneville will maintain a one-time change for the block shaping factors as proposed in Section 3.3 of the draft Policy, which will be further defined in the policy implementation and contract development phase. The one-time change in block shape would be applicable to both the monthly energy shape for customers that choose a monthly shaped block, and to the shaping capacity amounts for customers that elect the Block with Shaping Capacity option. During the policy implementation and contract development phase, Bonneville is open to exploring the potential to add an additional opportunity for a change in block shape if it can be done accurately and without a significant increase in administrative complexity and workload.

Issue 85: Will Bonneville's Block contracts include language that clearly obligates the customer to manage its resources to meet its loads beyond what Bonneville provides under the product?

Policy Proposal

In Section 3.1 of the draft Policy, Bonneville stated that for planned products, Bonneville would meet a customer's energy and peak net requirements based on a forecasted planned annual amount, but the customer would be responsible for meeting its hourly energy and peak net requirements. Bonneville stated that it would only be responsible for the net requirements established in the annual calculation. Planned product customers would be responsible for meeting any monthly, daily, or hourly load shapes beyond what the Block product provides.

Public Comments

Seattle commented that they were concerned that Bonneville may require Block customers to agree to waive their statutory right to have their net requirements load served similar to Slice/Block customers. Seattle stated that "in requiring such a waiver, a preference customer effectively waives Bonneville's statutory obligation requiring it to offer for sale power to meet a preference customer's load." Seattle commented that they are concerned the proposed application of peak net requirements combined with such a waiver would result in a product that was not acceptable. Therefore, Seattle sought assurance that if Bonneville requires a waiver, it must be "truly voluntary." POC-039-Seattle.

Seattle also commented that the only product option guaranteed to meet its monthly, daily, or hourly shaping needs is the Load Following product, which Bonneville has stated in the past it does not intend to offer to customers operating a balancing authority area. Seattle requested that Bonneville develop a product that would allow balancing authorities to meet their hourly firm load and without a waiver. POC-039-Seattle.

Evaluation and Decision

Bonneville established product offerings of electric power in the form of block amounts of power decades ago in response to customers, like Seattle, that desired to be free of Bonneville's contract requirements to identify and regularly update information on what their dedicated non-federal resources produce in supplying power to meet their retail loads. This product and contract arrangement arose during the mid-1990s with the advent of transmission deregulation and market competition. Many of Bonneville's larger customers with their own resources wanted greater flexibility in the operation and management of those resources to take advantage of the opportunities presented by the wholesale electric power spot market.

It is by no means a waiver of any customer's rights to be supplied with power pursuant to section 5(b) of the Northwest Power Act. To the contrary, offering a block of power is consistent with Bonneville's broad contracting authority that allows the agency to offer diverse yet standardized contract products that meet varying customer requests. Most customers purchasing their electric power in the form of a block, like Seattle, have non-federal resources. Some of these resources fall either into the category of section 5(b)(1)(A), resources that were used by the customer in the year prior to December 5, 1980, and/or section 5(b)(1)(B), resources that after December 5, 1980, the customer chooses (dedicates) to use to serve its load. While Bonneville's section 5(b) power sales contracts identify these resources and their firm energy and peaking capabilities, the Block contract by its existing terms does not fix such power amounts for purposes of Bonneville supplying the block amount of power.

Customers that request and execute Block contracts do so understanding they assume the risk to meet their load following needs with power supplied from either their own non-federal specified resources and/or megawatt amounts (unspecified resource amounts) for the contract period. Again, this product election is not a waiver of a customer's section 5(b) right to request a contract for the purchase of electric power, but instead is a contractual arrangement that is consistent with Bonneville's contracting authority.

Seattle's comment focuses on what it means to be a planned product customer and whether that construct should evolve. Seattle correctly characterizes what it means to take a product from Bonneville on a planned basis. Seattle recognizes that the planned amount of energy is based on the customer's forecasted annual energy net requirements and that the energy is not guaranteed to be sufficient on an operational basis each hour to meet the customer's entire retail load. For the standalone Block product, once Bonneville and the customer establish the planned amounts for the customer's annual net requirements, Bonneville has certainty regarding how much energy it will provide under the contract for every hour of the year and similarly, the customer shares that same certainty. Bonneville affirmed in Issue 83 that it will maintain this construct for Provider of Choice.

Bonneville will establish what each product provides in contracts, which will outline the customer's obligations. Planned products provide customers with greater flexibility to use their own resources or make other arrangements to serve their hourly loads. This resource flexibility creates value for planned product customers who have more flexibility to operate their own resources than load following customers.

While Seattle references language in the Slice/Block contract and expressed concern about similar language being included in the Block contract, Bonneville notes that the Block contracts include language that documents the obligations for Block customers under Regional Dialogue. The Regional Dialogue Block contracts include the following language describing the purchase obligation in Section 3.1:

> On a planning basis [Customer] shall serve that portion of its Total Retail Load that is not served with Firm Requirements Power with the Dedicated Resources listed in Exhibit A. Such amounts listed in Exhibit A are not intended to govern how [Customer] shall operate its Dedicated Resources."

Regional Dialogue Conformed Block Template[35].

The plain language of this section sets forth the block purchaser's obligation to serve its retail load with its own resources beyond the block amount. In contrast, Bonneville's obligation under its Load Following contracts is to supply power to serve whatever demands are placed on the customer by their retail load net of any non-federal resources that they will use to serve their

[35] The Regional Dialogue Conformed Block Template is available at https://www.bpa.gov/-/media/Aep/power/regional-dialogue/conformed-block-template-062623.docx.

load. Bonneville will include similar contract provisions specifying the purchase obligations for all products, and will develop the contract language in the policy implementation and contract development phase.

Seattle requests that Bonneville develop a product that allows a balancing authority to elect a product that meets its hourly loads. As discussed in Issue 75, Bonneville is willing to work with a customer that operates a balancing authority to explore its product options. Bonneville will also continue to explore changes to the Block with Shaping Capacity option for customers looking to retain flexibility in operating their non-federal resources but would like to purchase additional capacity. Bonneville encourages customers to engage in the policy implementation and contract development workshops to provide input into product design. Also, as stated in Issue 75, any customer interested in becoming a Load Following customer should work with Bonneville to understand the product requirements and whether it could be an option.

Issue 86: What is Bonneville trying to achieve with the Block with Shaping Capacity option and how will Bonneville establish implementation details for the Block with Shaping Capacity option?

Policy Proposal

In Section 3.3.1 of the draft Policy, Bonneville explained that it would offer a Block with Shaping Capacity option that allows customers to reshape their hourly block amounts based on the monthly characteristics of their net requirements load. Bonneville and the customer would determine shaping amounts based on customer load, which means that customers with greater load variations could expect to be able to purchase greater amounts of shaping capacity. Bonneville believes that the addition of shaping capacity would offer customers the ability to reshape their block purchase to better meet the changes in their hourly and peak loads.

Bonneville also stated it would develop the specific product features during the policy implementation and contract development phase to ensure any changes are consistent with broader product design changes.

Public Comments

NRU expressed no objection to Bonneville's proposal. POC-031-NRU. Snohomish commented that the Block with Shaping Capacity option should provide customers with sufficient energy and capacity for load service and that the product option as described presents more risk to customers than the Load Following product since capacity and energy are capped. POC-033-Snohomish.

EWEB noted that the Block with Shaping Capacity option should provide customers flexibility to operate resources while also allowing them to receive energy and capacity that reflects their net requirements. EWEB requested greater clarity on Bonneville's intent for the product, asking if Bonneville's goal was to give the customer the ability to meet actual loads. EWEB suggested that the pricing of the product option should reflect the value of the product being provided and that the product as designed did not meet their actual load. EWEB expressed concern about the option's ramping constraints that created challenges for meeting their hourly loads. POC-044-EWEB.

Snohomish commented on scheduling details that Bonneville presented at a workshop on September 19, 2023, after the draft Policy was published. Snohomish explained that the Block with Shaping Capacity option offered under Regional Dialogue was impractical to meet load service and urged Bonneville to discuss with customers what they need. Snohomish requested that product options be designed around WRAP compliance and integration with emerging markets. POC-033-Snohomish.

EWEB stated that the current Block with Shaping Capacity option proposal does not meet their needs and noted they had built a model to test how the product might work. POC-044-EWEB.

Evaluation and Decision

Bonneville's intent in offering the Block with Shaping Capacity option is to provide flexibility to customers who want to operate their own resources while receiving energy and capacity from Bonneville. Shaping capacity will be provided based on the customer's expected energy and load characteristics and allows the customer to shape their power deliveries however they would like throughout the month within the minimum, maximum and ramp rate parameters established by the product option. Providing non-federal resource flexibility and the ability to market that flexibility creates challenges when designing the Block with Shaping Capacity option due to the ability to shape capacity in any given hour. Under Block with Shaping Capacity option, the customer may access capacity needed to meet their loads and can elect when to deploy that capacity throughout the month while adjusting their non-federal resource amounts to optimize the value of that capacity in the market. For a Load Following customer, it is Bonneville's obligation to plan its resources so that it can supply both energy and capacity needed to meet their hourly loads.

Snohomish notes that pricing for the Block with Shaping Capacity option should account for the fact that Block customers are required to meet loads that exceed expected loads and peaks. Bonneville believes that pricing will also need to account for the flexibility customers are provided in shaping their deliveries, especially in comparison to a flat block purchase. Bonneville will determine how products are priced in the PRDM and/or subsequent 7(i) rate proceedings.

EWEB notes that based on their assumptions of the product design, the Block with Shaping option would roughly meet their loads but believe that the product could sometimes fall short in meeting their hourly loads. EWEB pointed to expected ramp rate limitations as a particular concern. Bonneville believes that ramp rates should empower the customer to reshape their block amount to help meet customer's relatively predictable loads while simultaneously limiting flexibility to react to rapid changes in market prices to ensure the ultimate use of the firm requirements power serves the customer's load. An example of this would be if the ramping capability allowed the customers to adjust quickly to take advantage of evening times when solar energy drops precipitously but loads do not.

Bonneville is open to discussing ways to improve the ramping construct. However, Bonneville is wary of unfettered flexibility that could potentially create market benefits for a specific customer as well as increasing uncertainty the agency must plan for at the expense of Bonneville's other customers. A Block with Shaping Capacity option product whose design permits market-responsive shaping, independent of Bonneville's overall market optimization, would represent a value-shift. Bonneville coordinates with its federal partners to ensure the federal system meets load obligations and market-responsive shaping could shift costs among customers. Bonneville does not intend the Block with Shaping Capacity option to cause such a value shift. Rather, the option's intent is to serve load. Bonneville will need to weigh how shifts in the ramping construct impact its full portfolio.

EWEB also notes the Block with Shaping Capacity option would likely not allow them to take additional energy in months when their energy needs exceed the forecasted average monthly amount. This is by design for planned products; Bonneville meets the forecasted monthly energy amount of the customer's net requirements. The Block with Shaping Capacity option is designed to allow customers to optimize their monthly energy consumption and reshape that energy in the most advantageous way for meeting their loads within the constraints provided. Bonneville anticipates that customers would shape the energy into the highest load periods and use the product in coordination with their non-federal resources. Bonneville believes that the Block with Shaping Capacity option can provide an important tool for managing a portfolio of resources. Bonneville encourages customers to discuss product design that will best meet their needs during the policy implementation and contract development phase.

Bonneville recognizes that even planned products that provide flexibility like the envisioned Block with Shaping Capacity option may not be a fit for all customers. Customers with limited non-federal resources or whose non-federal resources lack capacity or dispatchability may benefit from the load service certainty of Bonneville's Load Following product.

Bonneville appreciates commenters desire to better understand implementation details of the Block with Shaping Capacity option. Bonneville initiated workshops after the draft Policy was issued to start discussions that were originally slated to occur during the policy implementation and contract development phase, which will start after the release of the final Policy. Bonneville appreciates the effort already put into exploring the details of the proposal discussed at the September 19, 2023, workshop. These engagements and the comments received regarding the draft Policy proposal make it clear that Bonneville should offer a Block with Shaping Capacity option. Bonneville agrees that further conversations are needed and looks forward to better understanding customer needs. Bonneville will refine the Block with Shaping Capacity option product details during the Provider of Choice policy implementation and contract development phase.

Bonneville will maintain its draft Policy proposal regarding the Block with Shaping Capacity option.

4.3 Slice/Block

In Section 3.4 of the draft Policy, Bonneville stated that it intends to offer the Slice/Block product. The Slice/Block product bundles the Slice product and the Block product to meet a customer's annual planned net requirements load. The block portion of this product will provide a planned, flat amount of firm power to serve a portion of a customer's net requirements. In the slice portion of this product, Bonneville offers a federal system sale of power that includes both firm requirements power and an advance sale of surplus power.

Bonneville also outlined several concerns it had with offering a similar Slice/Block product to what was offered under Regional Dialogue contracts. Bonneville addressed product characteristics that would need to be negotiated. Bonneville committed to exploring how to solve these challenges but did not guarantee that Bonneville would offer a Slice/Block product for Provider of Choice.

Issue 87: Should Bonneville commit to offering a Slice/Block product for the Provider of Choice contract period? Should Bonneville commit to a specific Slice/Block product offering?

Policy Proposal

Bonneville stated in Section 3.4 of the draft Policy that it intended to offer a Slice/Block product, which bundles the Slice product and the Block product to meet a customer's planned annual net requirements load. Slice/Block would be a planned product that offers customers flexibility in how they manage their loads and resources, including providing customers autonomy in marketing, and customers take on a share of the benefits and risks associated with the varying capabilities of the federal system. Bonneville and customers would negotiate updated characteristics of a Slice/Block product during the policy implementation and contract development phase.

Bonneville stated that it must explore several challenges facing the Provider of Choice product when discussing product development. Among those challenges, Bonneville noted that product design must be consistent with the proposal to fix the amount of power sold at a PF Tier 1 rate (see Section 2.3.1 of the draft Policy) and be able to deliver an efficient and durable product in the changing energy landscape.

Public Comments

Multiple commenters expressed concern that the draft Policy did not clearly commit to offering the Slice/Block product. POC-050-AWEC; POC-020-Clatskanie; POC-055-Lewis; POC-039-Seattle; POC-033-Snohomish; POC-042-Tacoma. AWEC expressed concern that Bonneville will either (1) not offer a Slice/Block product, or (2) design the Slice/Block product in a way that a value proposition does not exist for customers. AWEC commented that Slice/Block customers should not have fewer product offerings under Provider of Choice contracts than they do under the current Regional Dialogue contracts, nor should the value proposition of any product be disproportionately impacted. POC-050-AWEC.

Seattle expressed concern that the draft Policy stated Bonneville "intends to offer" as opposed to a more definitive statement that Bonneville "will offer" the Slice/Block product. POC-039-Seattle. Snohomish commented that it "has been discouraged by Provider of Choice conversations that have cast doubt on BPA's willingness to offer the [Slice/Block] product or jeopardize its compatibility with organized markets." POC-033-Snohomish. Tacoma expressed concern over Bonneville statements that have alluded to "restricting or eliminating Slice/Block and Block product options." POC-042-Tacoma. Clatskanie requested that Bonneville explain its hesitation about offering the Slice/Block product to better understand how to work toward a solution. POC-020-Clatskanie. Lewis expressed concern about the viability of the Slice/Block product and suggested that Bonneville engage in a collaborative process like when Bonneville and Slice customers worked together to accommodate EIM participation. POC-055-Lewis.

Clatskanie and Seattle requested that the final Policy affirm the viability of the Slice/Block product and include a commitment to offer the product. Clatskanie requested that all applicable sections of the final Policy should affirm the Slice/Block product as a viable and financially beneficial product and include a commitment to offer a defined percentage of the system to customers electing the Slice product. POC-020-Clatskanie. Seattle requested that the final Policy include an affirmative commitment to offer the Slice/Block product. Seattle commented if Bonneville does not provide certainty, then it should evaluate scenarios where many planned product customers may switch to the Load Following product. POC-039-Seattle.

Bonneville also received multiple comments that recommended Bonneville offer Slice/Block product identical to the Slice/Block product offered under Regional Dialogue. POC-029-PPC; POC-033-Snohomish; POC-042-Tacoma. Tacoma commented that it supports Bonneville offering a status quo Slice/Block product. POC-042-Tacoma. PPC commented that it "strongly supports a slice product offering that is at least comparable to the Regional Dialogue product." PPC also commented that changes to the Slice/Block product that push customers to take the Load Following product do not help Bonneville or customers address underlying issues. POC-029-PPC. Snohomish commented that Bonneville should offer the Slice/Block product in "significantly similar form." Snohomish also commented that non-federal resource investments that "are marginalized through removal or degradation of the Slice product would have a chilling effect on future non-federal resource investments across all products." POC-033-Snohomish.

Idaho Falls supported a simplified Slice/Block product like the Subscription Slice/Block product offered from 2000 to 2010. POC-040-Idaho-Falls.

Evaluation and Decision

Commenters accurately describe that Bonneville did not commit to offering a Slice/Block product in the draft Policy. Rather Bonneville stated its intention to offer a Slice/Block product but described some of the considerations Bonneville will have to address in order to offer the product. Bonneville will need to ensure that the product design is consistent with decisions in the Policy, such as the decision to fix the amount of power sold at a PF Tier 1 rate (see Section 2.3.1 of the Policy). Bonneville also needs to consider how the Slice/Block product would work in emerging markets and other regional programs.

Bonneville remains committed to working with customers to determine the characteristics of the product in the policy implementation and contract development phase. Bonneville and customers must consider issues such as emerging market design, reliability standards and requirements, customer interest and commitments, impact on the agency's operations and cyber security risks. Bonneville will consider how to simplify the product design and implementation as part of these conversations.

PPC, Seattle and Snohomish request that Bonneville offer a Slice/Block product identical to the product offered under Regional Dialogue. Bonneville developed the Slice/Block product offered under Regional Dialogue when bilateral markets were liquid; however, Bonneville is not certain that these markets will remain liquid and this may impact Slice/Block customers' ability to manage the risk inherent in the Slice/Block product to meet their hourly loads. In addition, Bonneville would like more information from Slice/Block customers regarding their use of the slice portion of the product. Bonneville has concerns over the requirements portion of the Slice product, as reflected in Snohomish's comment, which seems to indicate it is being used to integrate non-federal resources instead of serving the customer's general requirements load. Regardless of market compatibility, the agency will need to ensure the product is consistent with the Policy, which will require that Bonneville make some changes from the Regional Dialogue Slice/Block product. Bonneville will not offer the Regional Dialogue Slice/Block product but may offer a modified Slice/Block product based on information and discussions in the policy implementation and contract development phase.

Bonneville must weigh the costs and risks of developing a redesigned Slice/Block product with the potential value and benefits it would afford to all power customers. The agency must assess the necessary technological changes to implementing a redesigned Slice/Block product in relation to the number of participants interested in electing the product. Bonneville will also need to evaluate how scheduling requirements in the changing landscape shift risk between Bonneville and Slice/Block customers and how those shifts may impact non-Slice/Block customers. Bonneville is committed to discussing a redesigned Slice/Block product with customers and assessing these issues, but also recognizes there are unresolved questions at this time.

Bonneville must also weigh whether there is sufficient interest from customers to offer the product. Bonneville recognizes customers may not find value in a redesigned Slice/Block product. While Bonneville will work to offer a product that meets customer needs, it must also evaluate the minimum amount of power that can be sold for the product to justify developing and implementing the product. Bonneville must sell a sufficient amount of power, regardless of the number of customers, to justify the administrative complexity and costs. For example, Bonneville incurs incremental cost in administering the Slice/Block product to address customer needs, which includes funding a group dedicated to the product and a real-time desk to handle Slice right-to-power and the uncertainty of within-hour changes. In order to administer the Slice/Block product, Bonneville must address exceptions of Slice/Block customers that also adds complexity to processes. Therefore, Bonneville believes a minimum power threshold must be met to justify offering the Slice/Block product.

During the policy implementation and contract development phase, Bonneville will discuss with customers how to define a minimum threshold to offer the product as well as a deadline for customers to commit to the product. Bonneville would need to update its IT systems, including the Slice Computer Application, and associated processes to ensure that power is delivered as agreed upon in the contract. In addition, customers would need adequate time to update their systems. Bonneville required a minimum threshold in previous power sales contract processes and believes this is a prudent approach.

Some commenters discuss upholding the value proposition of the Slice/Block product going forward. Bonneville cannot guarantee that the value customers see under Regional Dialogue will be matched under Provider of Choice for any product. Bonneville intends to design products, and associated rates, to offer customers multiple options from which to elect service. Customers must determine which product best meets their needs. Bonneville will work with customers in the policy implementation and contract development phase, as well as in the PRDM process, to address concerns raised about the value proposition of products.

Issue 88: Should Bonneville commit to re-examining the Requirements Slice Output (RSO) test?

Policy Proposal

Bonneville did not address the RSO test of the Slice/Block product in the draft Policy.

Public Comments

Cowlitz and WPAG requested that Bonneville commit, in the final Policy, to evaluate and reconsider how it implements the RSO test. Cowlitz requested Bonneville evaluate its implementation methodology given that there is a "fundamental disconnect between the Slice annual allocation methodology and the RSO test monthly demonstration requirement." Cowlitz also requested Bonneville address the RSO test and its intention in the final Policy as the test may have a material impact on product offerings. POC-014-Cowlitz.

WPAG made a similar comment and elaborated that this disconnect "has created a situation where it can be mathematically impossible to pass the monthly RSO test." WPAG questioned whether the RSO test is appropriate or even possible in a day-ahead market. WPAG requested that Bonneville revisit the need for the test, and if the test is needed, then to restructure the RSO test "so it is mathematically possible to pass or, at the very least to restructure the current deeming criteria." WPAG suggested that Bonneville consider implementing the RSO test on an annual or rate-period basis rather than on a monthly basis. POC-045-WPAG.

Evaluation and Decision

Bonneville requires the RSO test as a term in the Slice/Block contract to demonstrate the product is consistent with section 5(b)(1) of the Northwest Power Act, such that the firm power sold to the customer is used to meet its net requirements load. *See* Power Subscription Strategy ROD at 88-90. Bonneville included an RSO test in its Subscription and Regional Dialogue contracts to meet this requirement. Bonneville will continue to include an RSO test or an equivalent test in Provider of Choice Slice/Block contracts.

Bonneville commits to discussing the RSO test during the policy implementation and contract development phase. Bonneville will explore how to make the Slice/Block product compatible with emerging markets and make adjustments required due to Policy decisions. While the RSO test or future equivalent will be included under the Slice/Block contract, Bonneville is willing to explore changes to the RSO test, such as simplifying it or making it more efficient. Bonneville must ensure any future test demonstrates that the power supplied under the product is used to serve net requirements load. Until Bonneville determines how the Slice/Block product will be designed under Provider of Choice contracts, Bonneville cannot determine the frequency or requirements of a future RSO test, particularly in light of evolving landscape issues such as WRAP implementation and emerging market developments. Bonneville will not update the Policy to address the RSO test methodology.

Issue 89: Should Bonneville reconsider its timeline to address Slice/Block product issues?

Policy Proposal

Bonneville stated in Section 3 of the draft Policy that specific product details will be addressed in the policy implementation and contract development phase of the Provider of Choice process. During this phase, Bonneville and customers would negotiate updated characteristics of a Slice/Block product to ensure that product design is consistent with the proposal to fix the amount of power sold at a PF Tier 1 rate and consider and weigh changes necessary to deliver an efficient and durable product in the changing energy landscape, which includes potential future markets.

Public Comments

Franklin raised concerns around Bonneville's ability to find agreeable solutions to the treatment of the Slice/Block product relative to the timeline that Bonneville seeks final contract signatures. POC-026-Franklin.

Evaluation and Decision

Franklin comments that limited time is available to discuss the Slice/Block product design details under the Provider of Choice process. The draft Policy acknowledged this fact, adding that conversations with customers will need to move swiftly to determine whether there is adequate interest to continue offering the Slice/Block product under Provider of Choice.

Bonneville has stated a commitment to having Slice/Block product discussions during the policy implementation and contract development phase. Specific Slice/Block product details will need to be finalized in advance of December 2024 to allow time to develop contract terms, so Bonneville hopes to resolve product design details early in its next phase. After contracts are executed in December 2025, Bonneville requires ample time to ready systems to meet its contractual obligations under the Slice/Block product beginning October 1, 2028. These considerations include adapting any products to be compatible with a day-ahead market, updating critical operating systems such as the Slice Computer Application, and assessing any thresholds set by Bonneville for participation and to enable Bonneville to offer the Slice/Block product. During Spring workshops, Bonneville will explore whether there is a firm commitment from customers who anticipate electing a Slice/Block product. These efforts are focused on allowing sufficient time to make changes and ensure that a Slice/Block product could be offered and fully operational by October 2028.

Issue 90: Should Bonneville clarify how it plans for Slice/Block?

Policy Proposal

Section 3.4 of the draft Policy stated that Bonneville intends to offer the Slice/Block product during the Provider of Choice contract period but that modifications would be required. Bonneville must ensure that it continues to meet a customer's planned (annual) net requirements without causing cost shifts to non-Slice/Block customers. Bonneville would also consider and weigh changes necessary to deliver an efficient and durable product in the changing energy landscape. For example, Bonneville would seek to reduce the operational uncertainty associated with the product in the day ahead time frame and evaluate whether current processes are compatible with potential future markets.

Public Comments

EWEB stated that one of the benefits of the Slice/Block product is that Bonneville does not need to make market purchases or sales for the Slice/Block product and, because of this, Slice/Block customers do not pass on costs or risks to other customers. POC-044-EWEB.

Evaluation and Decision

EWEB asserts that a key benefit of the Slice/Block product is that Bonneville does not make power purchases to provide power to Slice/Block customers and suggests this benefit is important to remember in the Slice/Block product design. Their comment acknowledges the risk sharing between Bonneville and the Slice/Block customer pertaining to the operation of the federal system and the variable hydro conditions that impact FCRPS generation. Operation of the FCRPS is dependent upon hydrological conditions, hydraulic purposes and non-power objectives. Because of the variable nature of FCRPS generation, the Slice/Block customer, like Bonneville, faces and must be prepared on a forward-planning basis to assure other power sources are available. EWEB is correct that Bonneville is not responsible for making up differences in FCRPS actual generation versus expected generation.

EWEB's comment does not acknowledge that one of the factors contributing to the uncertainty around hydraulic planning for the FCRPS is the Slice/Block product uncertainty that Bonneville must plan for. Bonneville must ensure that agreed-upon power is available for Slice/Block customers along with its other load obligations. Slice/Block customers under Regional Dialogue have the ability to schedule within the hour, creating uncertainty that Bonneville must plan to manage. From an operational perspective, the Slice/Block product commands a significant load obligation, and its timing and delivery are more complex than traditional load service products. For example, Bonneville must plan for Slice/Block product uncertainty and ultimately manages it in real-time, which results in costs shared by all customers.

The Slice/Block product is based on the capability of the federal system and not the customer's load, which makes delivery of the slice portion of the product (slice load and slice advanced sale of surplus) difficult to forecast. In order to manage the product, Bonneville must plan in both the short- and medium-term to ensure the system can meet the uncertainty of how much slice right-to-power customers will request ahead of real-time operations. Depending on market conditions, Bonneville may need to procure power in advance of the operating hour to ensure it can deliver the power that Slice/Block customers have a contractual right to in any given hour. Once Bonneville is in the operating hour, depending upon how planned operations differ from real-time operations, Bonneville may have to sell power or adjust hydro operations to balance load obligations. At times, Bonneville may have to retain capacity to accommodate possible changes in the Slice right-to power. Bonneville must also ensure that the flat block of power associated with the block portion of the product is available in any hour. For these reasons, EWEB's statement that Bonneville makes no purchases for the Slice/Block product is not accurate. Bonneville maintains that it is important to consider the impact of the Slice/Block product uncertainty on all customers when designing the product.

Bonneville will not update the Policy to describe planning obligations for the Slice/Block product. Bonneville will discuss this type of detail in product design discussions during the policy implementation and contract development phase.

Issue 91: Should Bonneville affirm the Slice/Block product is not available to IOUs?

Policy Proposal

Bonneville did not address whether it would offer the Slice/Block product to IOUs in Section 3.4 of the draft Policy. However, Section 4.1 of the draft Policy stated that Bonneville intended to offer a standalone Block product if an IOU requests a 5(b) contract.

Public Comments

NRU and Mason 3 expressed concern about what utilities would be eligible to request a Slice/Block contract. NRU requested that Bonneville clarify that it "will not offer the Slice product to IOUs and that it will not develop or offer the Slice product for service to residential and small farm consumers of IOUs in exchange for agreement to settle the Residential Exchange Program." POC-031-NRU. Mason 3 supported NRU's comment on the issue. POC-022-Mason-3.

Evaluation and Decision

Bonneville will not offer IOUs the Slice/Block product if they request a 5(b) contract. The Slice/Block product combines net requirements firm power with an advance sale of surplus power (firm and non-firm). In the development and initial offering of the Slice/Block product under Bonneville's Power Subscription Marketing Policy, Bonneville determined it would not offer the Slice of the System product to IOUs because it includes the advance sale of surplus power. Bonneville must afford public entities preference and priority over non-preference entities when limited amounts of surplus power are available. This obligation applies to the advance sale of surplus under the Slice/Block product. Bonneville has previously explained that the preference provision presents no conflict when a public body or cooperative is the Slice/Block customer. However, if an IOU were the Slice/Block customer, the priority to non-firm and surplus firm power would not allow for competing requests from preference customers. As such, Bonneville cannot commit to an advance sale of surplus to IOUs. *See* Power Subscription Strategy ROD at 89-90.

Bonneville will maintain its draft Policy position. If an IOU requests a section 5(b) contract, Bonneville intends to offer a standalone Block product for firm power at the applicable NR rate.

4.4 Above-CHWM Load Service

Section 2.2 of the draft Policy explains the underlying basis for the Above-CHWM load service construct:

> Under the two-tier rate design and Provider of Choice contracts, customers will be entitled to purchase firm power to serve PF-eligible load up to a contractually defined amount, referred to as the customer's Contract High Water Mark (CHWM), at the applicable PF Tier 1 rate. . . . Customers will also be entitled to purchase firm power for any PF-eligible load above a customer's CHWM, referred to as the customer's Above-Contract High Water Mark (Above-CHWM) load. A customer may elect to serve their Above-CHWM load either with firm federal power from Bonneville at a PF Tier 2 rate, from dedicated resources, or from a

combination of the two. A customer's service election for Above-CHWM load will be reflected in the Provider of Choice contract.

To that end, Section 3.5 of the draft Policy identified two general paths of service for Above-CHWM loads: "a Long-Term Tier 2 Path and a Flexible Above-CHWM Path for Above-CHWM load service."

Under the Long-Term Tier 2 Path, a customer may "elect to have some or all of its Above-CHWM Load served at Bonneville's Long-Term Tier 2 rate." Draft Policy § 3.5.1. Under the Flexible Above-CHWM Path, a customer will have an opportunity to "serve all or a portion of their Above-CHWM load at the Short-Term Tier 2 rate for the upcoming rate period." *Id.* § 3.5.2. Customers choosing the Flexible Above-CHWM path will make their service election (Bonneville power or non-federal power) "at least three months before each rate case as identified in the Provider of Choice contract and PRDM." (*Id.*) Bonneville may impose a limit on the amount of power sold at the Short-Term Tier 2 rate, depending on the availability of power. If the customer does not elect to serve its Above-CHWM load with power that is available at the Short-Term 2 rate, then "the customer will serve their Above-CHWM load with non-federal resources." *Id.* Customers may mix and match these Tier 2 services options, by electing one of the four possible combinations:

A. All Long-Term. All of a customer's Above-CHWM Load will be served at Bonneville's Long-Term Tier 2 rate.

B. Fixed Long-Term then Flexible. A fixed aMW amount of a customer's load will be served at Bonneville's Long-Term Tier 2 rate with any excess Above-CHWM load served through the Flexible Above-CHWM Path.

C. Fixed Flexible then Long-Term. A fixed aMW amount of a customer's load will be served through the Flexible Above-CHWM Path with any excess Above-CHWM load served at Bonneville's Long-Term Tier 2 rate.

D. All Flexible. All of a customer's Above-CHWM Load will be served through the Flexible Above-CHWM Path.

Id. § 3.5.

When the Provider of Choice contracts are executed, customers will make a "one-time election to determine what portion of its Above-CHWM load will be served through the Long-Term Tier 2 Path and what portion will be served through the Flexible Above-CHWM Path." *Id*. This section addresses customer comments and questions regarding these options.

Issue 92: Should customers elect their Above-CHWM load service option at contract signing?

Policy Proposal

Under the draft Policy, customers would make their Above-CHWM service election (Long-Term Tier 2 and/or Flexible) at signing of the Provider of Choice Contract. Section 3.5.1 of the draft Policy reads:

> Bonneville will provide one opportunity, at contract signing, for a customer to elect to have some or all of its Above-CHWM Load served at Bonneville's Long-Term Tier 2 rate. A customer's early election associated with the Long-Term Tier 2 rate will give Bonneville certainty to plan for cost-effective resource acquisitions to meet its Above-CHWM load obligation.

Public Comments

EWEB commented in support of the proposal for customers to elect their Above-CHWM load service path and Tier 2 options at the time of contract signing. EWEB noted Bonneville's proposed Tier 2 offerings provide customers with sufficient flexibility to choose what works best for them, while providing Bonneville and customers with the certainty they need to make resource acquisition decisions. POC-044-EWEB.

Commenters suggested that the election of Above-CHWM load service path should occur after the CHWM calculation is completed. NRU recommended that Bonneville delay the elections until after customer CHWMs are finalized. POC-031-NRU. Big Bend and Mason 3 agreed with NRU's comment. POC-010-Big-Bend; POC-022-Mason-3.

Evaluation and Decision

Bonneville generally agrees that it is reasonable to permit customers to make their Above-CHWM load service path elections after CHWMs are determined. With established CHWMs, customers will be able to make an informed decision on their Tier 2 service choices and non-federal resource decisions. As such, Bonneville updated the Policy to reflect customers' ability to make their one-time election no later than 60 calendar days after CHWMs are established.

Bonneville views 60 calendar days as sufficient time for customers to make an informed decision regarding future or existing Above-CHWM load.

Issue 93: Should Bonneville provide more opportunities for electing Above-CHWM load service options?

Policy Proposal

Under the draft Policy, customers have a one-time option to determine the mix of Tier 2 service options (Long-Term Tier 2 and/or Flexible) they wish to use to supply power to serve their Above-CHWM load. Specifically, Section 3.5 of the draft policy states:

> Bonneville will offer a Long-Term Tier 2 Path and a Flexible Above-CHWM Path for Above-CHWM load service. A customer will make a one-time election to determine what portion of its Above-CHWM load will be served through the Long-

> Term Tier 2 Path and what portion will be served through the Flexible Above-CHWM Path. Each individual customer within a joint operating entity will need to make its own Above-CHWM load service election.

The draft Policy further provided that a customer will have one additional opportunity to reduce its Long-Term Tier 2 service after contract signing, provided it gives three-year prior notice before the applicable rate period. The customer may be required to pay an exit fee to avoid cost shifts to other customers:

> Bonneville will provide a one-time change option to any customer that elected at contract signing to have any amount of its load served at Bonneville's Long-Term Tier 2 rate. A minimum of three-year's notice would apply with the applicable change effective at the start of the next rate period. The one-time change would allow customers to cap, or reduce, the amount of its load that is subject to the Long-Term Tier 2 rate. Bonneville intends to explore the adoption of a fee for exercising the one-time change option to protect other Long-Term Tier 2 rate customers from cost shifts that could result from the change in election.

Draft Policy § 3.5.1.

Public Comments

A number of commenters supported the proposal for customers to elect their Above-CHWM load service path and Tier 2 options at the time of contract signing. EWEB supported Bonneville's proposed Tier 2 offerings, noting they provide customers with sufficient flexibility to choose what works best for them, while providing Bonneville and customers with the certainty they need to make resource decisions. POC-044-EWEB.

PPC supported the range of options and flexible paths for power purchases subject to Tier 2 rates, including long-term, short-term, and vintage products. PPC appreciated "the evolution from BPA on Tier 2 options in response to customer comments earlier in the process that is reflected in the draft policy." POC-029-PPC. Snohomish similarly expressed "conceptual" support for the Tier 2 framework. Snohomish requested that Bonneville consider providing customers more flexibility in opting in or out of the Long-term Tier 2 Path if the "composition and price expectations" are not known at the time of the election. POC-033-Snohomish.

Several commenters expressed opposition to the draft Policy's proposal to have a single opportunity, at contract signing, to select their Tier 2 service options. ICUA stated that a "one time election" for Tier 2 power is not workable. POC-003-ICUA. Fall River makes a similar point, noting that a "one-time election" for Tier 2 power is not practical for their cooperative. WREC and Fall River requested Bonneville adopt more flexible elections such as those offered during the Regional Dialogue contract period. POC-035-Fall-River; POC-027-WREC.

Other commenters contend Bonneville should offer more opportunities to switch between the Long-Term Tier 2 option and the Flexible option. For example, Inland commented that greater flexibility is needed to move between the Tier 2 long-term and flexible paths to properly incentivize non-federal resources. POC-001-Inland. Other commenters agreed. POC-023-United; POC-024-AHWM-Group; POC-046-PNGC; POC-027-WREC; POC-031-NRU; POC-051-Benton-PUD.

WPAG requested Bonneville consider alternative options for switching between the Long-Term Tier 2 Path and the Flexible Above-CHWM Path if it can be done without any cost shifts. WPAG provided three concepts for Bonneville's consideration. POC-045-WPAG.

Grant commented that "customers should have a limited number of clearly defined options to sign up for and terminate purchases of Tier 2 products and services to allow flexibility to customers while avoiding stranded costs." Grant suggested that "a customer may terminate an initial commitment to a 5 year product if and only if the customer has paid (or will pay) for all the fixed costs incurred by BPA due to that commitment." POC-012-Grant. The AHWM Group requested that Bonneville align path switching with Tier 2 resource acquisition actions, thereby allowing customers the flexibility to make financial commitments that accommodate changing needs during the contract period. POC-024-AHWM-Group.

NRU suggested that Bonneville include a mid-contract election opportunity for customers to both enter and exit the Long-Term Tier 2 Path. NRU supported the inclusion of such charges or fees necessary to avoid any inequitable cost shifts resulting from the change in election. NRU also supported an "open season" where utilities leaving the Long-Term Tier 2 pool could be replaced by other utilities. POC-031-NRU. PNGC requested additional flexibility to elect Tier 2 paths during the contract, including a mid-contract opportunity to add or alter elections. POC-046-PNGC. OPALCO similarly contended that mid-contract options for both entering and leaving the Long-Term Tier 2 pool should be offered. POC-013-OPALCO. Idaho Falls recommended Bonneville consider allowing "a utility that develops a resource to offset their Tier 2 election if they agree to financially buy out the market-to-market impact of the hedged/purchased energy that BPA secured on their behalf." POC-040-Idaho-Falls.

Evaluation and Decision

Bonneville agrees that customers should have an additional opportunity to reduce their Long-Term Tier 2 Service election after electing service following the establishment of their CHWMs, without a fee, provided Bonneville has not incurred any resource costs for the Long-Term Tier 2 rate recovery nor began studies for the BP-29 Rate Case. Bonneville will add language to section 3.5.1 of the Policy to acknowledge when a customer can reduce its initial Long-Term Tier 2 Path election without a fee. This added flexibility to reduce Long-Term Tier 2 Path election will precede studies for the BP-29 Rate Case, and is separate and distinct from the customer's one-time option to reduce its Long-Term Tier 2 option during the term of the contract with a potential fee to prevent cost shifts. To recognize this flexibility, Bonneville added the following language to the final Policy:

> Additionally, customers may reduce their initial Long-Term Tier 2 Path election, without a fee, provided that the notice of the reduction is given to Bonneville: 1)

> before Bonneville acquires power for the purposes of serving Long-Term Tier 2 Path obligations, or 2) if no such acquisition has occurred, the customer notice of a reduction occurs at least 3 months prior to the start of the BP-29 rate proceeding, whichever occurs first. This option to reduce would not count toward the customer's one-time option to reduce its Long-Term Tier 2 option during the term of the contract (with a fee) discussed above.

Policy § 3.5.1.

Bonneville views the Policy update as meeting, in general, the theme of many of the commenters' concerns. Several commenters express support for switching between the Long-Term Tier 2 Path and the Flexible Above-CHWM Path, provided that it can occur without cost shifts. Bonneville considers the above language as providing this flexibility to customers without causing a cost shift between customers. So long as Bonneville has not acquired power (or incurs any costs related to that acquisition) to serve the Long-Term Tier 2 Path group of customers, allowing a customer to exit the Long-Term Tier 2 Path and thereby increase its Flexible Above-CHWM Path should not result in stranded costs from Bonneville making unnecessary acquisitions of power. Further, limiting the time for such an election to "three months prior to the start of the BP-29 rate proceeding" adds additional cost shift protections. As Bonneville prepares to publish its initial rate proposal, Bonneville must have certainty regarding its Long-Term Tier 2 load obligations in order to properly forecast its rates and potential need for acquisitions. The three-month time limit does just that by providing Bonneville certainty as to the customer loads that have elected Long-Term Tier 2 service for the first rate period under the Provider of Choice contracts.

Several commenters request Bonneville adopt even more flexible options. Grant suggested that Bonneville allow customers to terminate an initial commitment to a five-year product so long as the customer has paid (or will pay) for all the fixed costs incurred by Bonneville due to that commitment. Bonneville does not view this option as significantly different than Bonneville's proposal in Section 3.5.1 of the draft Policy, which allows a customer a one-time option of reducing its Long-Term Tier 2 purchase so long as it pays a fee to avoid cost shifts.

PNGC and OPALCO recommend Bonneville add a provision to the Policy that allows utilities more opportunities to move into or out of the Long-Term Tier 2 path without any exit fees. On a principled level, Bonneville does not support mid-contract changes between options because they would not achieve one of the primary objectives of Above-CHWM load service, which is to "establish clear expectations of who (Bonneville, the customer or a combination of the two) will have the obligation to serve future loads and in what amounts." Policy § 3.5. By electing the Long-Term Tier 2 Path, a customer contractually intends to rely on Bonneville to serve its potential future load growth. By electing the Flexible Above-CHWM Path, the customer gains contractual flexibility that it may rely on Bonneville or other resources for its future growth albeit by assuming risk. Bonneville's resource planning obligations between these options are different. Allowing customers to switch between these two options adds additional uncertainty and planning risk – a risk that can be avoided by not permitting the move.

NRU suggests a mid-contract election that allows customers to both exit and enter the Long-Term Tier 2 pool with appropriate costs and fees to avoid a cost shift, or, in the alternative, an opportunity for customers to replace those that are leaving. Bonneville is apprehensive that allowing customers to exit or enter the Long-Term Tier 2 path after acquisitions have occurred cannot be done without a cost shift because no two customer profiles are alike. One customer may have peak loads in a different season than another customer, causing the shape of any Long-Term Tier 2 purchase to be less effective. One customer may be directly connected to Bonneville's transmission system, while another customer may be served by transfer service, introducing transmission costs and planning responsibilities previously not considered at the time of an acquisition. One customer's load may be expected to grow slowly and steadily, while another customer's load may grow quickly and sporadically over the course of the contract period, requiring different resource planning by Bonneville. Designing a framework to account for these (and other) factors would be impractical, prone to error, and imprecise. Moreover, even if Bonneville could identify all known cost risks and address them, it is probable that new costs not contemplated in the Policy or PRDM will arise, thereby causing unforeseen cost shifts. These factors make it difficult for Bonneville to envision how a mid-contract switch between customers could be achieved without creating cost shifts. Ultimately, Bonneville would be responsible for ensuring that all cost categories are covered, and all contingencies considered, in permitting such a swap. Bonneville finds that the draft Policy approach, as modified by the language included above, is both simpler and holds truer to the objectives and purpose of Above-CHWM service.

Issue 94: Should Bonneville remove the supply limitation for service to loads under the Short-Term Tier 2 rate?

Policy Proposal

The Flexible Above-CHWM Path provides customers with a range of options for serving their Above-CHWM load. As described in draft Policy section 3.5.2, those options include purchasing power to serve all or a portion their Above-CHWM load at the Short-Term Tier 2 rate for the upcoming rate period. A customer must inform Bonneville of their election to take the Short-Term Tier 2 rate at least three months before each rate case as identified in the Provider of Choice contract and PRDM. If a customer does not elect the Short-Term Tier 2 Rate option, Bonneville will presume the customer will serve their Above-CHWM load with non-federal resources. Because the amount of load placed on Bonneville at the Short-Term Tier 2 rate is unknown until three months before the rate case, Bonneville noted that it may impose limits on the amount of service at the Short-Term Tier 2 rate: "Bonneville will need to consider if there is a limit each rate period to the amount of additional load growth that can be placed on the Short-Term Tier 2 rate." Draft Policy § 3.5.2.

Public Comments

NRU generally supported Bonneville's proposals for the Flexible Above-CHWM Path with one exception. NRU opposed Bonneville's inclusion of the condition that the Short-Term Tier 2 service may include a "limit each rate period." NRU contended that this approach marks a "deviation from both today's practices and customer expectations" and "strongly objects to any approach that limits customer optionality and Bonneville's obligations to serve in this manner." NRU further noted that if the phrase "limit each rate period" is intended to reflect "Bonneville's concern with respect to market liquidity, regional resource adequacy, and its ability to serve preference customer load growth in the future," then NRU strongly recommends Bonneville design its rates under section 7(e) to "recover the costs from a class or one or more subclasses." POC-031-NRU.

Clatskanie raised a similar objection in its comment to the limitation on the Short-Term Tier 2 rate option. POC-020-Clatskanie.

EWEB commented they were concerned that customers may lean on the Short-Term Tier 2 rate as a long-term solution, which could result in inadequate development of resources. EWEB requested additional work to "create disincentives for behaviors that could ultimately pass risk and cost on to others." POC-044-EWEB.

Evaluation and Decision

As described earlier, one of the central objectives of the Above-CHWM service is to "establish clear expectations of who (Bonneville, the customer or a combination of the two) will have the obligation to plan for and serve future loads and in what amounts." Policy § 3.5. For customers choosing to serve their Above-CHWM with the Long-Term Tier 2 Path, the future supply obligation is clear: it is Bonneville. For customers choosing to serve their Above-CHWM load with the Flexible Above-CHWM Path, the future supply obligation is uncertain. This is because the Flexible Above-CHWM Path will give customers the contractual right to elect prior to every rate period, subject to notice, whether (1) Bonneville will serve all, some, or none their Above-CHWM load at the Short-Term Tier 2 rate or (2) the customer will serve all, some, or none of their Above-CHWM load with non-federal resources. Customers must make their Above-CHWM service election three months before the commencement of each Bonneville rate case during the Provider of Choice contract period. *Id.* § 3.5.2. Thus, a customer may choose to place all of its Above-CHWM load on Bonneville for one rate period, and then change its election in the next rate period to serve it all with non-federal resources.

Because of the risk uncertainty that is inherent in the short time periods covered under this option, Bonneville cannot reasonably be assured of having power available to serve customers that may potentially elect to take the Short-Term Tier 2 rate. The risk regarding supply will be made clear to the customer in the Provider of Choice contract. This limitation is reasonable because Bonneville will not be doing the same long-term load and resource forecasting and planning it will do to ensure Bonneville's supply obligations meet the Long-Term Tier 2 path needs of those customers. As noted, because of the short notice and supply periods covered by the Short-Term rate path, Bonneville's planning horizon is too brief to engage in robust planning and long-term resource acquisitions. In other words, Bonneville will not include the load of customers opting for the Short-Term Tier 2 rate in its long-term resource planning. Instead, Bonneville will likely rely on available firm power (if any is available after meeting Long-Term Tier 2 obligations) and the short-term market purchases to meet the Short-Term Tier 2 rate demand. While energy markets are generally liquid, they can experience shortages. Because of the risk involved with short-term purchases, and the lack of certainty as to the amount of Above-CHWM customers may place on Bonneville under the short-notices in the Flexible Above-CHWM Path, Bonneville must retain the ability to limit its supply obligation from rate period to rate period.

NRU contends that Bonneville has ample authority under section 7(e) to "recover the costs from a class or one or more subclasses" when acquiring resources for particular groups of customers. POC-031-NRU. NRU misapprehends Bonneville's concern. The concern that led Bonneville to include its "limit each rate period" language in the draft Policy was not a matter of rate design or price. It is a matter of supply. If a large segment of customers elects the Flexible Above-CHWM Path, it is possible that potentially hundreds of megawatts could be eligible for service at the Short-Term Tier 2 rate. In such circumstances, Bonneville could have an obligation to acquire hundreds of megawatts three months before the commencement of its rate case. Bonneville would have little more than a year to acquire the necessary resources for service to these loads. Even under current market conditions, securing hundreds of megawatts of power for a year or more could be a difficult and expensive proposition. While Bonneville would do its best to acquire such resources, it is possible that market liquidity may not allow for the entirety of the customers' supply to be met at any price. Because of this possibility, it is prudent for Bonneville to retain the ability to inform customers of Bonneville's limitations on acquiring these megawatts.

NRU argued that Bonneville's proposal limits "customer optionality and Bonneville's obligation to serve in this manner." POC-031-NRU. While Bonneville is anticipating customers to request sales of power, such sales will be through a contract. Pursuant to section 5(a) of the Bonneville Project Act, contracts with any utility selling to the general public shall contain such terms and conditions as the "Administrator may deem necessary, desirable or appropriate . . .." 16 U.S.C. § 832d(a) (2022). Bonneville is not required to offer its customers options without limits. Indeed, doing so would be contrary to Bonneville's express statutory directives to execute its obligations under the Northwest Power Act in a "sound and business-like manner." 16 U.S.C. § 839f(b) (2022). Here, Bonneville is offering its customers options that come with different risks. If a customer wants to place their entire Above-CHWM obligation on Bonneville, with Bonneville planning and acquiring long-term resources and power purchases to serve those loads, then that customer may elect the Long-Term Tier 2 Path. If a customer wants more flexibility, with the option of choosing each rate period whether Bonneville will serve some, all, or none of its Above-CHWM load, then the customer may elect the Flexible Above-CHWM Path and purchase power at the Short-Term Tier 2 rate. Along with that election, the customer must recognize that because Bonneville is not planning and acquiring resources and power purchases ahead of the customers' election, market forces outside of Bonneville's control may make Bonneville limit the amount of available power at the Short-Term Tier 2 rate.

NRU also notes that the "limit each rate period" is not in the Long-Tier Tier 2 Path option. That is correct. Bonneville's obligation to supply a customer's net requirements is defined by its contractual commitments. A customer that elects to receive service under the Long-Term Tier 2 Path is placing the future load planning and acquisition responsibility on Bonneville. Bonneville will be planning and managing long-term resources and power acquisitions to meet this load, with the attendant costs being recovered from this rate pool. Under the Flexible Above-CHWM Path, in contrast, a customer is not committing to buy firm power from Bonneville. Rather, they are retaining the right to purchase power from non-federal resources, develop their own resources, or purchase from Bonneville at the Short-Term Tier 2 rate to serve their Above-CHWM load. Committing to buy from Bonneville on a short-term basis comes with it the attendant costs and risk that supply could be unavailable to meet all requested needs. Thus, Bonneville's limitation language is appropriate and must be retained.

To be clear, Bonneville remains committed to making every reasonable effort to meet its customers' requests for power. Bonneville's tiered rates design does not change its obligation to offer sales of power to meet customer net requirements. As Bonneville explained in Section 2.2 of the draft Policy, "[t]he tiered rate design does not alter Bonneville's statutory obligation to offer contracts to meet a customer's firm power load net of its resources. Rather, tiered rates differentiate the costs and risks associated with different resources and give customers opportunities to serve a portion of their load with non-federal resources."

While Bonneville does not agree with NRU's requested change, Bonneville acknowledges that a clarification to the Policy language is needed to address the underlying concern that NRU's comment raises. That concern, as understood by Bonneville, is that Bonneville would prematurely limit the Short-Term Tier 2 service offerings due to price concerns. That is not Bonneville's intent. Bonneville expects that market conditions should, in general, permit Bonneville to acquire sufficient power/resources to meet supply obligations subject to Short-Term Tier 2 requests. Price would not be a limiting factor in those acquisitions. Supply may be. The factors Bonneville would rely on to limit power available at the Short-Term Tier 2 rate will be discussed further in the policy implementation and contract implementation phase and the PRDM. However, Bonneville added clarifying language in Section 3.5.2 of the final Policy that states "Such limit, if any, shall be employed only if Bonneville concludes, after making a good faith effort to acquire such power at any available price, that insufficient power is available to serve all customer Short-Term Tier 2 elections."

Issue 95: Should Bonneville use uncommitted firm power to serve all PF Tier 2 rates at a cost equivalent to a PF Tier 1 rate?

Policy Proposal

In the draft Policy, Bonneville proposed to allocate the cost of any available firm power to the Long-Term Tier 2 rate pool at Tier 1 costs under the PRDM:

> Each rate period, Bonneville will use the rate-setting process to calculate the Long-Term Tier 2 rate applicable to all customers purchasing power at the Long-Term Tier 2 rate. Bonneville will propose through the PRDM that the costs of any firm inventory, inclusive of any augmentation amounts and calculated after all other obligations are considered, are allocated to the Long-Term Tier 2 rate to meet any otherwise unmet Long-Term Tier 2 rate load obligation. This could result in a portion, or all, of the Long-Term Tier 2 rate being set at a cost equivalent to the cost of power sold at Bonneville's PF Tier 1 rates if sufficient firm inventory is available.

Draft Policy § 3.5.1.

Bonneville did not propose to extend this treatment to its Flexible Above-CHWM Path options, which includes power sold at the Short-Term Tier 2 rate and the Vintage Resource Tier 2 rate.

Public Comments

Klickitat, PPC and NRU supported Bonneville's proposal to allocate any unused firm inventory to the Long-Term Tier 2 cost pool at the cost of a PF Tier 1 rate. POC-056-Klickitat; POC-029-PPC; POC-031-NRU. NRU requested that Bonneville establish a "priority order" for how firm inventory costs are allocated and where the Long-Term Tier 2 rate pool is, in that order. POC-031-NRU. ICUA supported including "excess firm power at Tier 1 prices" for Tier 2 rates but did not specify a particular rate or if it should apply to all rates. POC-003-ICUA.

Other commenters supported Bonneville's proposal but contended that firm inventory should be made available at Tier 1 costs to other Tier 2 service options, including the Short-Term Tier 2 rate. POC-024-AHWM-Group; POC-034-Flathead; POC-013-OPALCO; POC-046-PNGC. Raft River commented that Tier 2 costs should be "cost based, understanding Tier 1 rates could be slightly elevated" as a result. POC-017-Raft-River.

PNGC contended that by offering firm inventory to only the Long-term Tier 2 rate that Bonneville was looking to sway customers towards that option. PNGC also commented that "Tier 2 pricing should not be to sell federal power to your preference customers at prevailing wholesale market prices (opportunity cost)" and doing so represents a "direct violation of statutory intent." PNGC requested that Bonneville define its Tier 2 pricing policy in the Policy. POC-046-PNGC. OPALCO provided nearly identical comments as PNGC. POC-013-OPALCO.

The AHWM Group argued that the benefit of providing firm inventory to the Long-term Tier 2 Path should be extended to all Tier 2 rate options. The AHWM Group argued that Bonneville's proposal "serves to lock preference customers into the BPA offering rather than promoting customer investment in non-federal resources." POC-024-AHWM-Group.

Flathead commented that any firm inventory "should be made available to serve customers with Above-RHWM Load first." Therefore, Flathead supported that Tier 2 generated out of the federal system should be sold to preference customers at Tier 1 rates. However, Flathead observed that requiring customers to choose the Long-Term Tier 2 option to get federally generated Tier 2 power at Tier 1 rates (and thereby locking that product in long-term) disincentivizes non-federal resource development. POC-034-Flathead.

Evaluation and Decision

In Section 3.5.1 of the draft Policy, Bonneville proposed to assign available firm power to the Long-Term Tier 2 path at a cost equivalent to the PF Tier 1 system. This proposal is a change from existing practice under the TRM, where any Bonneville firm power used to supply load service at a Tier 2 rate is sold at the applicable market price. *See* Tiered Rate Methodology, BP-12-A-03, § 6.3.1 (July 2011) ("A Tier 2 Rate Alternative Cost Pool [*i.e.*, Short-Term Tier 2 or Vintage resource] can include combinations of market purchases and resource costs . . . ."). Assuming the TRM parameters are maintained in the PRDM, Bonneville would retain this practice for the Short-Term Tier 2 rate, and price any available firm power sold at the Short-Term Tier 2 rate at market prices. For the Long-Term Tier 2 rate, however, Bonneville proposes to assign any available firm power to that rate pool at the cost of the PF Tier 1 system. This cost could be either above or below prevailing market prices.

PNGC and Raft River contend that Bonneville's proposal to sell any federal power at a market or marginal cost-based price is problematic. PNGC argues that "the approach established for Tier 2 pricing should not be to sell federal power to your preference customers at prevailing wholesale market prices (opportunity cost)." POC-046-PNGC. PNGC asserted that selling federal power at market rates is a "violation of statutory intent." *Id.* Raft River similarly urged Bonneville to sell all its Tier 2 power at cost-based rates, even if this means "slightly elevat[ing]" the PF Tier 1 rate. POC-017-Raft-River.

Bonneville does not agree that selling power at a market rate violates statutory intent. Selling electric power to customers to supply their retail load demand under the TRM construct follows the language of sections 7(b) and 7(e) of the Northwest Power Act. Section 7(b) of the Northwest Power Act provides that Bonneville shall establish "a rate or rates of general application" for power sold to meet the "general requirements" of Bonneville's customers. 16 U.S.C. § 839e(b)(1) (2022). By including "rate or rates" Congress envisioned that Bonneville could set more than one section 7(b) rate to meet the general requirements of public body, cooperative and federal agency customers. Further, section 7(b) acknowledges that there is a hierarchy of resource costs that can be used to serve those loads. That hierarchy begins with FBS resources, but then also includes exchange resource costs (as limited by section 7(b)(2)) and finally includes costs "from other resources." *Id.* Thus, section 7(b) contemplates that different 7(b) rates may apply to different portions of the customer's loads, which is exactly how the tiered rates concept functions.

Additional statutory support for the establishment of various rates is found in section 7(e), which expressly preserves the Administrator's ability to establish "rate schedules of general application, a uniform rate or rates for sale of peaking capacity or . . . time-of-day, seasonal rates, or other rate forms." 16 U.S.C. § 839e(e) (2022). The United States Court of Appeals for the Ninth Circuit (Ninth Circuit) has found that this language provides broad discretion for Bonneville to send "price signals" through rate design, *Cent. Lincoln People's Util. Dist. v. Johnson*, 735 F.2d 1101, 1122 (9th Cir. 1984), and permits BPA to set "a variety of types of rates" to meet Bonneville's revenue requirement that is only restricted by the requirement to act in accordance with "sound business principles." *City of Seattle v. Johnson*, 813 F.2d 1364, 1367 (9th Cir. 1987). Here, as explained throughout the draft Policy, Bonneville has sound business reasons to develop tiered rates, which include sending appropriate price signals for Bonneville's products and encouraging conservation and non-federal resource development.

In response to commenters that assert Bonneville must sell Tier 2 at its "costs," Bonneville is doing just that when it sends price signals through marginal cost pricing. That pricing is at "Bonneville's cost" in that (1) the costs reflect Bonneville's acquisition of additional electric power to serve the incremental load growth, i.e., Above-CHWM load at the Short-Term Tier 2 rate; (2) the costs send a price signals to induce conservation; or (3) the costs provide comparability in pricing between power from Bonneville and customers developing and/or acquiring non-federal resources/power. Thus, setting the Short-Term Tier 2 rate at a cost that reflects the cost of power in the market (which could be above or below Bonneville's PF Tier 1 rate) is still a measure of Bonneville's "costs." These revenues, in turn, reduce the remaining revenue requirement Bonneville must recover from other sources to recover its costs.

Several commenters suggest that Bonneville expand its policy proposal to include assigning firm inventory power at Tier 1 costs to not only the Long-Term Tier 2 rate pool, but also other Tier 2 services, such as the Short-Term Tier 2 rate pool. Bonneville has considered this proposal but does not believe it workable or prudent. To begin, extending the use of firm inventory at Tier 1 costs to other PF Tier 2 rates would not send the appropriate price signals. Specifically, allocating firm inventory to flexible rates at a PF Tier 1 rate, like the Short-Term Tier 2 rate, would incentivize customers to only take the short-term rate when market prices are high. In such a scenario, customers would be leaning on Bonneville to meet their short-term needs, while Bonneville is forgoing higher revenues that could have been used to lower the PF Tier 1 rate. Conversely, when market prices are below Bonneville's PF Tier 1 rates, customers would likely not exercise their election to purchase power at the Short-Term Tier 2 rate, leaving Bonneville to resell the power at a salvage value below its costs. Ultimately, customers would have a free option on Bonneville – taking short-term power when it is to their economic benefit, and not purchasing from Bonneville when it is not. As discussed earlier, one of the key elements of Above-CHWM load service described in Section 3.5 of the draft Policy is to "support resource planning and equitable allocation of costs among customers, each of which are necessary elements of achieving a cost-effective and long-lasting federal and non-federal resource portfolio." Supporting a supply and rate construct that incentivizes customers to use Bonneville's rates as a free option against market forces would not further either an "equitable" nor a "long-lasting" strategy to achieving a balanced resource portfolio for either Bonneville or its customers.

In contrast, the Policy's approach aligns costs and benefits of service under the Long-Term Tier 2 rate. Customers that commit to purchase from Bonneville at the Long-Term Tier 2 rate may receive the benefit of getting some of that power, at times, at a cost level reflecting the PF Tier 1 rate. Bonneville, in turn, receives the assurance that its costs can be recovered from a broader rate pool regardless of the then prevailing market prices. This is an important feature because in 8 out of 14 years during Regional Dialogue the Short-Term Tier 2 rate was lower than the PF Tier 1 rates, reflecting the cost of power in the market. Here, under the draft Policy, Bonneville could sell surplus firm power at the Long-Term Tier 2 rate pool at the costs of the PF Tier 1 rate pool and provide rate stability to its PF Tier 1 rates as more power will be sold at Bonneville's average cost per unit of power sold – regardless of whether that price is above or below market prices.

PNGC contends that Bonneville's proposal "disincentivizes" customers to develop their own resources and "push[es]" customers to purchase firm power at the Long-Term Tier 2 rate. POC-046-PNGC. Bonneville disagrees that its proposal advances any particular power product, Bonneville power or otherwise, over another. PNGC's argument presumes that the PF Tier 1 rate will always be below alternative market resources or purchases. As noted above, in 8 of 14 years, that has not been the case. To the extent there is a cost advantage to the Long-Term Tier 2 rate, it would not be guaranteed, would decrease through time as loads grew, and even a modest participation in the Long-Term Tier 2 rate would make its impact insignificant relative to the cost differences between different resource options available to customers.

NRU suggests that Bonneville develop a priority order for the use of surplus firm inventory in the Tier 2 rate pool. The Policy does not purport to establish any priority to Bonneville's surplus firm inventory and does not view this process as the appropriate forum for describing the contours of such an allocation. Bonneville will use the PRDM and/or each 7(i) process to propose and determine how this policy intent would impact cost allocation and rate setting.

Issue 96: Should Bonneville address general questions regarding the Tier 2 offerings and elections?

Policy Proposal

Throughout the draft Policy, Bonneville acknowledged that various aspects of the Tier 2 service options would need additional refinement and development in other processes. For instance, in Section 3.5.1 regarding the exit fee for Long-Term Tier 2, Bonneville noted that it "would establish the method for determining the cost of exercising the one-time change option through the contract, the PRDM document, and/or Bonneville's rates as established through each rate-setting process." Other provisions of the draft Policy pointed to the PRDM process for determining additional parameters and terms. Bonneville stated in section 3.5.1 that it "intends to include provisions in the PRDM that explain what happens if Bonneville has Long-Term Tier 2 costs and no load being served at the Long-Term Tier 2 rate. The provision would also address situations where a subset of customers that elected service at the Long-Term Tier 2 rate are determined to be bearing an inequitable amount of the Long-Term Tier 2 costs."

Additionally, beyond general timing elements (e.g., "three months before each rate case," "a minimum of three-year's notice") the draft Policy remained generally silent on the specific mechanics, deadlines, and terms for exercising the various service elections for Above-CHWM service.

Public Comments

Several commenters submitted general support for the four different Above-RHWM offerings. They appreciated the flexibility of the Long-Term Tier 2 Path and the Flexible Above-CHWM Path for Above-CHWM load service. POC-007-Modern; POC-026-Franklin; POC-051-Benton-PUD; POC-013-OPALCO; POC-020-Clatskanie; POC-022-Mason-3; POC-029-PPC; POC-033-Snohomish; POC-044-EWEB; POC-045-WPAG; POC-082-Lower-Valley. AWEC supported the offerings so long as they do not erode "the value of the products received by other customers." POC-050-AWEC.

Some commenters requested additional detail regarding these options. For instance, Snohomish would like to know Bonneville's plan for enabling upfront Tier 2 elections, stating that customers need to understand the composition and price expectations of the Long-Term Tier 2 Path. POC-033-Snohomish. WPAG proposed refinements to the implementation of the Tier 2 elections during the next phases of the Provider of Choice process "to provide additional Above-CHWM load service customer optionality and flexibility where possible to do so without cost shifts." POC-045-WPAG.

Evaluation and Decision

Bonneville intends to provide more details regarding the Above-CHWM offering elections during the policy implementation and contract development phase following release of the Policy. Bonneville also intends to address implementation concerns raised in Snohomish's and WPAG's comments at the policy implementation and contract development phase of the Provider of Choice process.

Issue 97: Should Bonneville offer planned block product customers Tier 2 Above-CHWM service options in flat monthly blocks?

Policy Proposal

As discussed at length above, Bonneville described two paths for Above-CHWM load service, Long-Term Tier 2 Path and a Flexible Above-CHWM Path. Bonneville stated in Section 3.5 of the draft Policy that through these options, "[c]ustomers may elect to serve Above-CHWM load with federal power, non-federal resources or a combination of the two." The draft Policy was silent on the shape of the power sales made under these two options.

Public Comments

Tacoma recommended that Bonneville should consider offering a flat monthly block rather than a flat annual block. Tacoma commented that adding a flat annual block would not work for a planned product customer but only for Load Following customers because Tier 2 resources sit at the bottom of a Load Following customers resource stack. Tacoma stated that flat annual blocks of Tier 2 would not work for planned product customers because they do not reflect customer's net monthly load shape. POC-042-Tacoma.

Evaluation and Decision

Providing either the Long-Term or Short-Term Tier 2 rates do not bring with it any change or amendment to Bonneville's power sales contract and the product a customer is purchasing. Nor is it a switch in products. Simply put if a customer elects either Tier 2 rate path Bonneville is obligated to increase its supply of firm power in amounts and/or shape under the Provider of Choice contract. Tacoma contends that a Tier 2 purchase of a flat annual block will not work for planned product customers and requested that Bonneville consider other block shapes. Planned Block product customers contractually agree to assume the risk and be responsible for using their non-federal resources to follow their load up and down, including their net monthly load shape. In contrast to Load Following customers, which Tacoma acknowledges would have their non-federal resources regardless of rates sitting at the bottom of their resource stack, the planned product customers do not receive load following from Bonneville and therefore their non-federal resources sit atop their resource stack to follow their load.

While Bonneville will continue to offer a flat annual block at the Long-Term Tier 2 rate and Short-Term Tier 2 rate, Bonneville acknowledges that a customer like Tacoma might see their net requirements load shape change during the term of the Provider of Choice contract. As discussed in Section 4.2 of this ROD, Bonneville intends to explore giving customers rights to change the shape of their Tier 1 block purchases in accordance with changes in the shape of their monthly net requirements. Bonneville expects these discussions to address Tacoma's concerns and allow them to adjust their monthly purchases from Bonneville as their net requirements may change.

5. Products and Services at New Resource Rate and Industrial Firm Power Rate

In Section 4 of the draft Policy, Bonneville provided high-level details of how it would serve customers eligible to purchase firm power at the NR power rate and the Industrial Firm Power

(IP) rate, if requested. This applies to IOUs, public customers serving NLSLs, and Bonneville's single remaining direct service industry (DSI) customer.

Issue 98: What are the terms and conditions for Bonneville sales to IOUs for firm power under section 5(b) of the Northwest Power Act?

Policy Proposal

Section 4.1 of the draft Policy acknowledged the statutory rights of IOUs to request a contract to purchase NR power from Bonneville. Bonneville intended to offer NR power to IOUs with similar features as the standalone Block product offered to PF customers and on the same development timeline. In contrast to the Block product for PF customers, IOUs would not receive a CHWM. Rates for power sold under the NR rate would not be established under a tiered rate construct.

Public Comments

Big Bend and NRU both provided comments on power sales to IOUs at the NR rate, with Big Bend noting their support for "prohibiting the selling of firm power to investor-owned utilities when there is not enough firm inventory for all preference customer's loads." POC-010-Big-Bend; POC-031-NRU. NRU granted that IOUs were entitled to purchase their net requirements from Bonneville and underscored the importance of statutory preference particularly around access to surplus firm power as a share of FCRPS output. NRU, quoting Bonneville's Power Subscription Strategy, commented that it was unclear how an IOU could purchase the Slice/Block product given that "any non-firm or surplus power generated on behalf of the IOU would have to be offered first to public bodies and cooperatives, before it would be available to the IOU purchaser." POC-031-NRU.

NRU referenced the potential for cost migration that could occur if sales at NR rates were not well managed, stating that "[a]ccess to Tier 1 power at cost-based rates will be of little benefit to NRU members if the Tier 1 cost pool becomes a dumping ground for costs generated by poorly managed New Resources ("NR") rate power sales to IOUs or bad Tier 2 deals." NRU discussed the approach they want Bonneville to take in the PRDM and asked that "Bonneville clearly define the relevant cost pools in the Provider of Choice policy and contract and build into those cost pools the appropriate contingencies (i.e., as provided by the cost recovery adjustment clause, etc.) in a manner consistent with the principles of cost-causation, thereby ensuring that the Tier 1 cost pool does not become a repository for the costs and unpaid debts of Bonneville's other business. POC-031-NRU.

Evaluation and Decision

IOUs have a statutory right to request Bonneville to serve their net requirements load under 5(b) of the Northwest Power Act. When doing so, they purchase power at a section 7(f) rate, the NR rate. Bonneville appreciates NRU's comments around who has preference for surplus power and the integration with the Slice/Block product. Service to an IOU under section 5(b) is not a sale of surplus power and would not result in applying preference to determine Bonneville's offer of electric power. Bonneville believes it is reasonable that proposed sales to IOUs would be provided as a standalone Block product given the significant resource portfolios of this class of customers.

Bonneville will provide IOUs with the same flat annual or monthly net requirements block shape as is provided for the standalone PF Block product. Policy § 3.3. A key difference is that the Block with Shaping Capacity option will not be available for the NR Block product. This is consistent with the NR Block product Bonneville offered the IOUs under Regional Dialogue contracts. This approach creates a durable and implementable way to provide NR power to an IOU that requests it. Bonneville will work through the specific implementation details of the standalone Block product in the upcoming contract development discussions.

Bonneville acknowledges NRU's comment that the Policy, contracts and rates are developed in a way that identifies and appropriately allocates the costs of supplying firm power sold at an NR rate, to avoid those costs from migrating to other customers and rate pools. The NR Block contract created for IOUs during Regional Dialogue had significant notice and commitment periods which were designed to prevent, when establishing applicable power rates, costs shifting from the NR cost pool to the PF cost pool. Bonneville designed notice periods to ensure that it had sufficient time to find and acquire, if needed, additional resources to assure the agency meets its power supply obligation and to appropriately allocate associated incremental costs to applicable power rates. The timelines to both acquire resources and make sure they can be delivered and integrated into the federal system can be extensive. With the expected forecasted power needs during the Provider of Choice contract period, Bonneville plans to retain and potentially enhance the notice and commitment periods under an NR Block contract. The implementation details will be worked out in the future contracts and rates processes, which will address financial, credit, equity, and other risks to ensure durable contracts are put in place.

Finally, Bonneville noted that the Policy does not "prohibit[] the sale of firm power" to IOUs when there is not enough firm inventory to serve public loads. Rather, if there is insufficient power to meet all requirements loads – public and IOU – the provisions of sections 5(b)(5) and 5(b)(6) of the Northwest Power Act would become operative. At this point, Bonneville does not know whether IOU customers will place net requirements loads on Bonneville. If they do, the agency will attempt to acquire to meet this net requirements as required by statute. Only if Bonneville is unable to meet this net requirements obligation would it invoke the insufficiency provisions of Northwest Power Act sections 5(b)(5) and 5(b)(6) (requiring the Administrator to include in its 5(b) contracts a provision allowing the Administrator to restrict his contractual obligations if, after a reasonable period of experience, the Administrator cannot be assured on a planning basis of acquiring sufficient resources to meet such loads). 16 U.S.C. § 839(c)(b)(5)-(6) (2022).

Issue 99: Should Bonneville update its NLSL Policy?

Policy Proposal

In Section 4.2 of the draft Policy, Bonneville proposed to maintain its NLSL Policy. Bonneville specified it would continue to examine ways to improve NLSL policy implementation as part of the policy implementation and contract development phase.

Public Comments

Several commenters encouraged Bonneville to explore efficiencies, enhancements, modernization and improvements to the NLSL Policy. POC-010-Big-Bend; POC-007-Modern; POC-045-WPAG; POC-029-PPC. Big Bend, Modern, and PPC would like to see refinements and enhancements to the NLSL Policy that do not shift costs or create undue risks. POC-010-Big-Bend; POC-007-Modern; POC-029-PPC. NRU, with support from Big Bend, stated that it has no specific objection to Bonneville's current NLSL Policy as it relates to the draft Policy. POC-031-NRU; POC-010-Big-Bend. However, NRU encourages Bonneville to schedule the public process necessary for policy review "as soon as is practicable" due to the potential impact to Bonneville's load service and transmission obligations. POC-031-NRU.

The NLSL Group expressed that the NLSL Policy is ripe for review and offered comments that new NLSLs in the Pacific Northwest region have different characteristics than existing NLSLs in 2001, when Bonneville issued the NLSL Policy. POC-032-NLSL-Group. Commenters questioned whether the NLSL Policy adequately addresses current and future issues because of the age of the NLSL Policy. The NLSL Group emphasized the importance of revisiting the NLSL Policy to address current and future issues. POC-032-NLSL-Group. PPC and AWEC expressed support of the NLSL Group's comments. POC-029-PPC; POC-050-AWEC. EWEB also stated its support for the NLSL Group's comments and added that, Bonneville "should provide staffing and time to address this issue in the relatively near term." POC-044-EWEB.

Evaluation and Decision

Bonneville's NLSL Policy implements statutory provisions enacted in 1980. While Bonneville recognizes that the NLSL Policy has not been updated since 2001, the NLSL Policy in its current state maintains a framework to meet the core statutory provision of the Northwest Power Act and has remained flexible during the Subscription and Regional Dialogue contracts. The NLSL Policy also ensures that there have been no cost shifts to other customers or undue risk created by the ever-increasing amounts of NLSLs entering Bonneville customers' service territories.

The NLSL Policy has proven to be flexible. This flexibility has allowed Bonneville to work with customers on a case-by-case basis to address the development of NLSLs in the region, including those with different characteristics than NLSLs existing in 2001. The NLSL Policy has also accommodated changing contractual needs including implementation changes, such as the addition of planned NLSLs. Bonneville also established the NR ESS charge for capacity the customer requests from Bonneville for standing ready to serve its NLSLs.

Bonneville acknowledges further improvement in NLSL implementation may be warranted as the energy landscape continues to change. Commenters request that Bonneville should hold a public process to explore efficiencies and enhancements to the NLSL policy. The agency intends to work with commenters during the policy implementation and contract development phase, as well as during the PRDM process, to address the concerns regarding products and services specific to NLSLs, including exploring additional implementation, efficiencies and enhancements.

Bonneville remains open to future discussions with customers and interested parties about the NLSL Policy, but at this time believes many of the outstanding issues customers have raised can be addressed either through implementation or rate applications. Therefore, Bonneville declines to update the NLSL Policy at this time.

Issue 100: Should Bonneville clarify the NLSL Policy to address historical Administrator determinations of NLSLs whose annual consumptive demand no longer meets the statutory definition of an NLSL?

Policy Proposal

In Section 4.2 of the draft Policy, Bonneville proposed to maintain the NLSL Policy and did not propose any changes to the NLSL Policy. Bonneville noted that it would continue to examine ways to improve NLSL policy implementation as part of the policy implementation and contract development phase.

Public Comments

EWEB commented that it is necessary to modernize Bonneville's NLSL Policy. In particular, EWEB would like to see modernization related to the treatment of "previous" NLSL loads that are now below 10 aMWs. EWEB explained that it has a facility that is listed as a NLSL under their Regional Dialogue contract despite the load being less than 10 annual aMWs. POC-044-EWEB.

Evaluation and Decision

The Northwest Power Act defines an NLSL as a load that results in an increase in power requirements of 10 aMW or more during a consecutive 12-month monitoring period. Once a load increases by more than 10 aMW during a monitoring period, it is determined an NLSL, regardless of whether its load grows or shrinks thereafter. Consistent with the NLSL Policy, Bonneville believes that any load that can operate at 10 annual aMWs or greater, based on available transformation at the site, must be monitored and treated as an NLSL. An operating NLSL whose demand decreases to under 10 aMW in a consecutive 12-month period does not become part of the customer's general requirements load for purposes of being supplied with power sold at the applicable PF rate.

When an NLSL facility has shuttered its operations, any new retail load (commercial or industrial) that either buys, assumes, or otherwise legally acquires the physical assets or real property of the defunct company would not be determined an NLSL based on the predecessor NLSL status, provided that the new corporate owner of the facility is not taking over the facility as a successor in interest to the predecessor NLSL. This allows a new facility to develop without the immediate status of an NLSL. If the new facility grows 10 aMW or more during a monitoring period, or if the original load/facility commences operation, the NLSL designation and corresponding rate treatment will apply. This allows the original NLSL facility to lay dormant in a customer's contract while another load grows. Bonneville believes that this implementation treatment would work in EWEB's situation, but no new load has developed at that site at this time.

Bonneville will adopt its draft Policy language to maintain the NLSL Policy without changes at this time.

Issue 101: Should Bonneville seek improvements to its NLSL implementation process?

Policy Proposal

Section 4.2 of Bonneville's draft Policy proposed to continue to examine ways to improve NLSL policy implementation as part of the policy implementation and contract development phase.

Public Comments

Multiple commenters supported Bonneville exploring ways to improve NLSL implementation. WPAG commented in favor of the draft Policy language that Bonneville would examine ways to improve NLSL policy implementation. POC-045-WPAG. AWEC also supported exploring ways to improve implementation of the NLSL Policy, stating that "improvements in [the] NLSL determination process are long overdue." POC-050-AWEC.

Modern, Big Bend, PPC and WPAG submitted nearly identical comments asking Bonneville to seek refinements and enhancements to its NLSL practices that do not shift costs or create undue risk to Bonneville or other customers. POC-007-Modern; POC-010-Big-Bend; POC-029-PPC; POC-045-WPAG.

Evaluation and Decision

Bonneville is open to exploring process improvements and more efficient ways of doing business. In the policy implementation and contract development phase, Bonneville invites customers and stakeholders to share specific suggestions they have for the NLSL determination process, implementation and contract administration efficiencies.

Issue 102: Should a customer be able to exempt or remove an NLSL from the Provider of Choice contract and forgo any right to serve the NLSL with firm power at the NR rate?

Policy Proposal

Bonneville did not address in the draft Policy whether to allow a customer to exempt an NLSL from their Provider of Choice contract.

Public Comments

The NLSL Group and NRU requested that Bonneville provide customers a voluntary election to exempt NLSLs from the customer's Provider of Choice contract. The NLSL Group and NRU elaborated that the exempted NLSLs would not be subject to ESS and related charges, and a customer would forfeit any rights for the specific NLSL to be served by Bonneville at the NR rate. Rather, the customer would abide by products and operational requirements established by the balancing authority and transmission service provider for these loads. POC-032-NLSL-Group; POC-031-NRU.

Evaluation and Decision

Commenters do not elaborate on what constitutes "exempting" an NLSL, what it would entail or what implementation requirements might still apply. Bonneville is not clear how a customer would ensure that the load could be electrically connected in a way that the customer would not take additional power to serve the NLSL, even in limited situations. Bonneville must ensure that it meets Northwest Power Act requirements regarding the treatment of NLSLs so a customer's NLSL cannot be invisible to Bonneville. At a minimum, a customer will need to continue to report its NLSLs to Bonneville through the power sales contract.

Section 5(b)(1) of the Northwest Power Act directs the Administrator to, whenever requested, "offer to sell to each requesting public body and cooperative . . . and to each requesting investor-owned utility electric power to meet the firm power load" of such utility, to the extent the firm power load exceeds the customers 5(b)(1)(a) and (b) resources. 16 U.S.C. § 839(c)(b)(1) (2022). Section 7(b) lays out the rate directives that apply to these 5(b) sales. Although a customer may request Bonneville to sell it firm power to serve an NLSL under a 5(b) contract, section 7(b)(4), directs the Administrator to exclude NLSL from electric power sales at 5(b) priority firm rates. 16 U.S.C. § 839(e)(b)(1) (2022). Thus, to ensure that Bonneville is not selling firm power to serve a NLSL at a 5(b) PF rate, Bonneville must account for any NLSL on the customer's system when selling electric power to the customer.

Bonneville is open to discussing, in the policy implementation and contract development phase, the feasibility of capturing a customer's NLSLs in the contract but exempting a customer from certain implementation obligations if certain conditions are met. For example, a provision in the Regional Dialogue Load Following contract template allows the parties to agree that an applicable increase in load constitutes an NLSL. This provision has helped to streamline NLSL implementation. The Provider of Choice contracts could include a similar provision. In addition, Bonneville is open to discussing applicability of ESS and other related charges during the PRDM process. Further discussion is needed to consider what conditions may apply, transmission considerations, statutory limitations and any implementation details, including but not limited to, customers' metering obligations and Bonneville's monitoring responsibilities for NLSLs.

Bonneville will continue to contractually require customers to notify Bonneville of possible NLSL it has in its service territory and Bonneville will continue to track existing and possible NLSLs in the customer's contract.

Issue 103: Should Bonneville facilitate the use of NLSLs for demand response whether through WRAP, WEIM or dispatched by Bonneville?

Policy Proposal

In the draft Policy, Bonneville did not address using NLSLs for demand response or how NLSLs would participate in WRAP or WEIM.

Public Comments

The NLSL Group stressed the need for a "one BPA" approach for developing incentives for demand response and non-federal resource development. Specifically, the NLSL Group asked Bonneville "to consider developing synchronized policies and products" in Bonneville's Power and Transmission business lines that "allow NLSL loads to support grid reliability whether directly dispatched by BPA or through participation in the WRAP, WEIM, demand response programs, and other markets as they develop." The NLSL Group requested Bonneville to consider "demand-side flexibilities in the [Transmission Service Request Study and Expansion Process (TSEP)] process that evaluates generation interconnection requests . . . intended to meet NLSL demand." POC-032-NLSL-Group. AWEC also asked Bonneville to improve NLSL operation considerations, including the potential for demand-side management. POC-050-AWEC.

The Labor and Environmental Coalition commented that Bonneville should provide NLSL products and services that "recognize the energy and capacity value of demand response opportunities" in the way that the products "offer significant load flexibility." POC-016-Labor-Environmental.

NRU asked Bonneville to explain how it will treat NLSLs under continued WRAP participation, "along with whether and how it intends to facilitate NLSL participation [in WRAP] through product development or other incentives." POC-031-NRU.

Evaluation and Decision

Bonneville has a fundamental interest in being assured that utilities will procure sufficient resources to reliably meet their loads. As part of the WRAP stakeholder engagement process, discussions are ongoing with respect to the treatment of NLSLs and Above-CHWM loads. Discussions are centered on the WRAP load exclusion process and the Bonneville load exclusion process that is specific between Bonneville and its customers. In this forum, discussions are exploring the potential creation of resource adequacy incentive rates that could have the potential to yield new product development for WRAP participation and/or incentives that capture load and resource flexibility of NLSLs.

Bonneville looks forward to further discussion of implementation details and rate development for NLSLs during the upcoming policy implementation and contract development phase and PRDM process. Bonneville Transmission Services continues to be very involved in the Provider of Choice process, other post-2028 processes and WRAP discussions.

Issue 104: Should a customer's service election for an NLSL apply for the Provider of Choice contract period? When should Bonneville require customers to make their service election for existing NLSLs?

Policy Proposal

Bonneville proposed in Section 4.2 of the draft Policy that "[c]ustomers retain the option to serve NLSLs with dedicated resources in lieu of electing service from Bonneville." The draft Policy stated that "[o]nce a customer elects either the NR rate or dedicated resources to serve an NLSL, that election will be final for the remaining Provider of Choice contract period." Bonneville also proposed in Section 4.2 of the draft Policy to continue to require Slice/Block customers to use dedicated resources to serve their NLSLs and forego the option of taking power at the NR rate. The draft Policy proposal did not specify when customers would make service elections for existing NLSLs.

Public Comments

The NLSL Group, Lithium Americas, AWEC and Harney advocated for increased flexibility in service elections for NLSLs. POC-032-NLSL-Group; POC-049-Lithium-Americas; POC-050-AWEC; POC-052-Harney. The NLSL Group requested parity regarding "product switching" and noted that the Policy proposed a one-time right for customers to switch products, and a one-time right for a customer to reduce its Long-Term Tier 2 Rate election. As such, the NLSL Group recommended that "different customer classes should have comparable contract flexibility rights" in anticipation of changes to the energy industry, "while being careful to avoid cost shifts." Specifically, the NLSL Group asked Bonneville to "develop a durable and consistent method for product switching that applies to all customer classes," such as allowing customers a "one-time right to switch their NLSL service election from non-federal resources to the NR Rate, and vice versa." POC-032-NLSL-Group. AWEC commented that there are options to switch products, and NLSLs should "be afforded a properly designed ability to switch to the NR rate." However, AWEC stated that "any product switching should be properly priced and avoid the offering of free 'options' to customers for purely economic benefit." POC-050-AWEC.

Lithium Americas commented that under Provider of Choice, "NLSL has no federal/non-federal resource choice flexibility during the Term of the contract." Lithium Americas believed that the lack of flexibility is inconsistent with Bonneville's recognition that resource flexibility encourages customer development of, and investment in, non-federal resources to serve NLSLs. Lithium Americas asked Bonneville to consider flexibility for NLSL load similar to the flexibility extended under the Long-Term Tier 2 Path. Lithium Americas believed this flexibility will encourage and enable renewable resource development to serve NLSLs during the Provider of Choice contract period, including NLSL load where NR is initially elected. POC-049-Lithium-Americas.

Harney commented that the draft policy is "ambiguous" as to whether a customer can add any dedicated resources later to either reduce firm power at an NR rate or add to its Bonneville power purchases at an NR rate to respond to a growing NLSL. Harney requested that Bonneville reconsider its policy position and allow a customer serving an NLSL with federal power to add non-federal resources to augment or displace the federal power purchases on a planned basis. Harney added that a customer converting to non-federal resources would first need to provide sufficient notice to Bonneville to protect the agency from stranded resource costs. POC-052-Harney.

Bonneville received one comment about the timing of NLSL service elections. Lithium Americas would like Bonneville to set the deadline for determining federal or non-federal resource NLSL service elections as late as possible following CHWM calculations and contract executions "to support informed resource decision-making by BPA customers and the NLSLs they serve." POC-049-Lithium-Americas.

Evaluation and Decision

Bonneville will require customers to make service elections for their NLSLs for the duration of the Provider of Choice contracts. This aligns with previous contract requirements under the Subscription and Regional Dialogue contracts. It also provides the most financial stability for Bonneville, the most streamlined protection from potential cost shifts among customers and across rates, and support for the agency's regional obligations and commitments.

Since the passage of the Northwest Power Act and the establishment of the NLSL provisions, the region's industrial sector has experienced significant change. Given the size and speed in which NLSLs are developing in the Pacific Northwest, Bonneville needs to ensure that it has a clear understanding of its load obligations and certainty around any resources it may need to acquire to meet its load obligations. AWEC argues that "any product switching should be properly priced and avoid the offering of free 'options' to customers for purely economic benefit" POC-050-AWEC and the NLSL Group advised that Bonneville should be "careful to avoid cost shifts." POC-032-NLSL-Group. If Bonneville were to allow customers to change their NLSL service election, the agency believes it would be extremely difficult to avoid cost shifts given the speed and size of new large loads that can grow within the region. If a customer has elected for Bonneville to serve an NLSL at the NR rate, Bonneville may need to acquire a resource to meet its service obligation. Bonneville must balance taking on load service obligations and the timing of such obligation in a way that does not push the agency into a resource deficiency situation. Based on the potential size and timing of these loads, coupled with uncertainty around future market liquidity, if the obligation is placed on Bonneville, it must have sufficient time to determine how it will serve the load, and on what timeline.

If Bonneville must acquire resources to serve the load, that will take time. If the load amount results in Bonneville needing to make a major resource acquisition, Bonneville must follow the Northwest Power Act section 6(c) acquisition process as explained in Issue 21. In an extreme, but not impossible, circumstance, a resource may need to first be built and then acquired before Bonneville is able to serve the load with firm power at an NR rate. The risk in timing and resource acquisition should remain with the end-use load and not fall on other customers by Bonneville committing to serve NLSL without reasonable certainty of forecasted or actual resource availability. If the customer were allowed to change that election during the Provider of Choice contract period, there would be a strong likelihood that there would be stranded costs in the NR rate pool, especially if Bonneville had to acquire resources.

The NLSL Group asks Bonneville to "develop a durable and consistent method for product switching that applies to all customer classes," such as allowing customers a "one-time right to switch their NLSL service election from non-federal resources to the NR rate, and vice versa." POC-032-NLSL-Group. The NLSL Group equated this one-time right for customers to switch products or alter their Long-Term Tier 2 Path elections as proposed in the draft Policy with the ability to change NLSL service elections. This comparison is incorrect. The proposed one-time ability to switch products refers to a customer's ability to change between the core product offerings (Load Following, Block, and Slice/Block). This would apply to a customer's entire PF-eligible load, not a single end-user's load that is not eligible for PF service. Similarly, the proposed one-time change for a customer to cap, or reduce, the amount of its load that is subject to the Long-Term Tier 2 rate would apply to all of a customer's Above-CHWM PF-eligible load, not just a single end-user's load. This option was also constrained with an exit fee to avoid cost shifts.

PF-eligible load is unlikely to grow as suddenly as an NLSL can nor can it move as easily to other service territories. As noted above, Bonneville is concerned that it may not be able to recover all stranded costs from such election modifications given the smaller size of the potential NR rate pool. The size, complexity, and concentration of an NLSL load can place an undue burden on both the acquisition of power and the transmission system, which creates additional planning challenges for Bonneville.

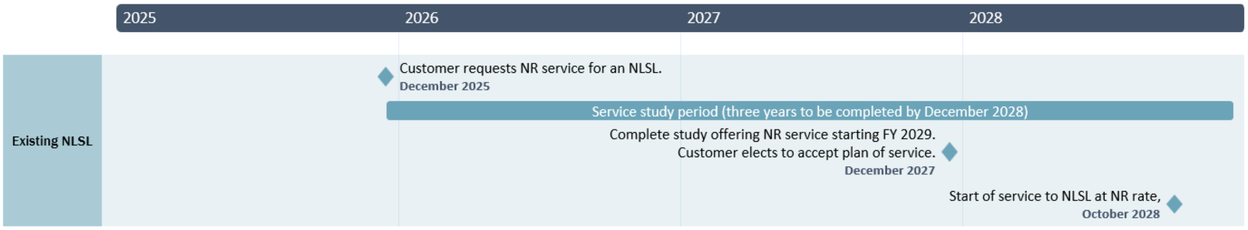
Lithium Americas comments that the lack of opportunity to change NLSL service elections limits the ability to develop renewable resources to serve NLSLs. POC-049-Lithium-Americas. NLSLs can be served with renewable resources at the onset of a customer's service to the NLSL. To date, nearly all NLSLs have been served with dedicated resources, including non-emitting resources. For its NLSL service election, Bonneville requires the customer to elect whether to have Bonneville serve the load at the NR rate or if the customer will take on the responsibility of serving the load with dedicated resources. Bonneville does not dictate the disposition of those dedicated resources. A customer could dedicate a mix of renewable and non-renewable resources to serve its NLSL. If the dedicated resource is a statutory 5(b)(1)(A) or (B) resource, such resource will need to continue to be used to serve the customer's regional firm power load subject to permitted statutory discontinuance, including the Administrator's consent to remove it.

Harney requested that Bonneville reconsider its policy position and allow a customer serving an NLSL with firm power at the NR rate to add dedicated resources to augment or displace the federal power purchases on a planned basis. POC-052-Harney. As described above, Bonneville is concerned that any changes in NLSL service elections may result in stranded costs in the NR rate pool. Bonneville notes however, that consumer-owned resources can still be developed to serve any load, including NLSLs, in a customer's service territory. Bonneville intends to explore contract options to avoid stranded costs from resources added to serve NLSLs. Bonneville looks forward to working with Harney and other customers to determine the details of NLSL service as part of the policy implementation and contract development phase.

Harney requests clarification about when a customer would need to elect how it would serve its NLSL. During the Provider of Choice policy implementation and contract development phase, Bonneville will develop notice provisions for requesting Bonneville to serve an NLSL with firm power at the NR rate. Bonneville intends to include an up to three-year study period for the agency to evaluate any request for Bonneville to serve an NLSL with firm power at the NR rate in the Provider of Choice contracts. After the completion of the study period, Bonneville would provide the requesting customer with a plan of service at the NR rate, including a timeline for when NR service would be available for the NLSL. The customer would then elect to either (1) accept the proposed plan of service, which would then be incorporated in the customer's contract, or (2) decline the plan of service and serve the NLSL with dedicated resources. This election would be for the term of the contract.

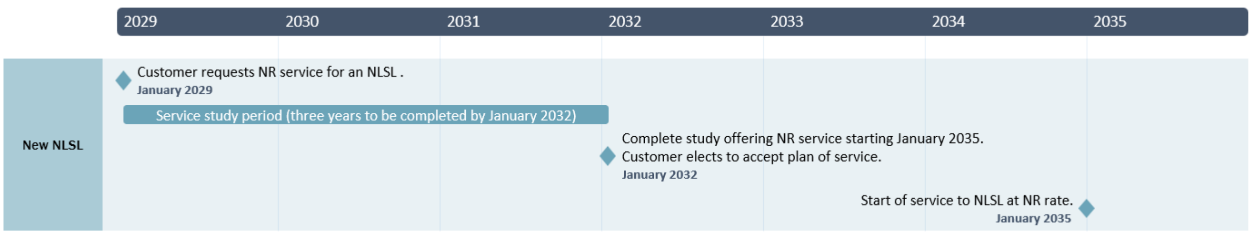
If the customer elects for Bonneville to serve the NLSL with firm power at the NR rate, Bonneville would not be obligated to serve the NLSL until such time as specified in the agreed-upon plan of service and once it's codified in the customer's contract. If a customer has existing NLSLs that it would like to consider having Bonneville serve at the NR rate, it will need to request a study period at contract offering. Bonneville would then study the request and provide a plan of service within three years of contract offering, though the start of service at the NR rate would depend on the agreed-upon plan of service. Bonneville intends for the three-year study period to be the maximum time it would take for the agency to develop a plan of service, not a minimum. Depending on the size and timing of the load, Bonneville may be able to provide a plan of service sooner than three years.

Figure 2: Existing NLSL Service Example



Example 1: A customer requests NR service for an existing NLSL (15 aMW) when the customer signs its Provider of Choice contract in December 2025. Bonneville starts its three-year study period but only needs two years to complete its study (December 2027). Based on study results, Bonneville offers NR service starting October 1, 2028, and the customer elects NR service.

Figure 3: New NLSL Service Example



Example 2: A customer notifies Bonneville in January 2029 of a possible NLSL (100 aMW) and requests NR service. Bonneville starts the three-year study period and ends up needing the full three years to complete its service study (January 2032). Based on study results, Bonneville offers NR service starting in January 2035, which the customer elects.

Issue 105: Should Bonneville grant an Offsite Green Exception/Offsite Renewables Exception for Flathead's NLSL?

Policy Proposal

In Section 4.2 of the draft Policy, Bonneville proposed to maintain the existing NLSL policy and did not discuss an Offsite Green Exception/Off-site Renewables Exception.

Public Comments

Flathead commented that one of its members is the only consumer using the Offsite Green Exception/Off-site Renewables Exception granted by Bonneville in its Regional Dialogue Policy. Flathead requested for Bonneville to "honor the Green Exception post-2028."

Flathead's comment referred to "onsite" resources when explaining how the Offsite Green Exception/Offsite Renewables Exception operated. Flathead clarified that this particular reference was incorrect and Flathead's comment should have read "off-site." POC-034-Flathead.

Evaluation and Decision

Under the February 2005 Policy for Power Supply Role for Fiscal Years 2007-2011, Bonneville established the Offsite Green Exception/Offsite Renewables Exception that allowed customers to use on or off-site renewable or on-site cogeneration resources to offset an NLSL to less than 10 aMW. Bonneville would then provide the utility up to 9.9 aMW of firm power at a PF rate to serve the remaining load. Under the Regional Dialogue Policy, Bonneville sunset the Offsite Green Exception/Offsite Renewables Exception option effective December 31, 2006, except for Flathead's Plum Creek (now named Weyerhaeuser) NLSL. Prior to that date, Flathead was using the Offsite Green Exception/Offsite Renewables Exception for its Weyerhaeuser NLSL. Bonneville allowed for the continued use of the Offsite Green Exception/Offsite Renewables Exception for the Weyerhaeuser load under the Regional Dialogue contract provided Flathead continued to meet the terms and conditions applicable to the Offsite Green Exception/Offsite Renewables Exception in their power sales contract with Bonneville. The Regional Dialogue Policy ROD stated as follows:

> Plum Creek's NLSL will receive the benefit of the [Green Exception] for the term of Flathead's contract, as long as it continues to meet the terms and conditions applicable to the [Green Exception] in Flathead's power sales contract with BPA. Plum Creek must deliver a renewable resource to its NLSL behind the meter and continuously apply a qualifying on-site cogeneration or renewable resource or have an off-site renewable contractual arrangement that is renewed, extended, or replaced.

Regional Dialogue Policy ROD at 134. The Weyerhaeuser NLSL had to deliver a renewable resource to its load and continuously apply a qualifying on-site cogeneration or renewable resource or have an off-site renewable contractual arrangement that is renewed, extended or replaced.

Bonneville will continue to allow Flathead to use the Offsite Green Exception/Offsite Renewables Exception for the Weyerhaeuser NLSL under the Provider of Choice contract subject to the following conditions. First, the Weyerhaeuser NLSL will be subject to the same conditions mentioned above. Second, Bonneville intends to modify the contract language administrating the Offsite Green Exception/Offsite Renewables Exception to reduce the complexity and variability for both parties and gain implementation efficiencies. For example, the current process allows for Flathead to modify the amount of the off-site resource and PF power it uses from month to month. Bonneville intends to create load service certainty with the contract language modification. If Flathead declines the Offsite Green Exception/Offsite Renewables Exception option as it is modified, the Offsite Green Exception/Offsite Renewables Exception option will fully sunset going forward, and Flathead would have to make an NLSL election for Provider of Choice service consistent with requirements for other existing NLSLs. Flathead would still retain the option, like other customers, to use an on-site renewable or co-generation resource to serve the load.

Bonneville has determined that this continued exception will only be available to the Weyerhaeuser NLSL; no other Flathead load and no other customers may apply the Offsite Green Exception/Offsite Renewables Exception for any of their loads.

Issue 106: Should Bonneville allow Port Townsend Paper's DSI load to transition to be served through a local utility? If yes, should Jefferson receive additional CHWM to serve previous DSI load in its service territory?

Policy Proposal

Section 4.3 of Bonneville's draft Policy stated that if Port Townsend Paper (PTP) requests a contract for service beginning October 1, 2028, Bonneville would conduct an economic analysis to determine whether offering a DSI power sales contract at the IP rate will have a benefit to Bonneville and its customers. Depending on the outcome of such analysis, Bonneville might offer PTP a power sales contract. In addition, the draft Policy stated that Bonneville remains open to exploring alternative approaches to economically meeting the PTP load, consistent with Bonneville's statutes.

Bonneville's draft Policy did not include any discussion of a potential transition of the PTP load service from a DSI to becoming load served by Jefferson County Public Utility District No. 1 (Jefferson).

Public Comments

PTP commented that it is the last remaining DSI and provides roughly 300 jobs as the largest employer in Jefferson County, Washington. They noted that PTP's power service relationship with Bonneville extends back decades, and this historical reliance on Bonneville for power leaves them lacking experience in wholesale markets. PTP's lack of experience in wholesale power purchasing made their operational viability a concern if they were not offered a DSI contract in the future. PTP proposed that Jefferson should serve their load, at PF rates. PTP proposed Bonneville increase Jefferson's CHWM and consequently serve the load at PF Tier 1 rates, noting that serving this load would not be incremental load to Bonneville. POC-041-PTP. Jefferson commented in support of exploring alternatives for PTP's power supply service in the interest of preserving family wage jobs in Jefferson County. POC-038-Jefferson.

NRU stated that they had no objection to Section 4.3 of the draft Policy. POC-031-NRU.

Evaluation and Decision

In the event PTP requests a contract for service, Bonneville will perform an analysis to determine whether selling firm power to PTP offered under an IP power sales contract would provide positive benefits. Based on the analysis, if Bonneville determines there would not be a positive benefit, Bonneville will not offer such a contract. If Bonneville does not offer PTP a DSI contract, Bonneville would hold a public process to evaluate issues, such as whether Jefferson could serve the PTP load at PF rates and whether Bonneville should increase Jefferson's CHWM to serve the load. Bonneville has included a subsequent CHWM adjustment category in the Policy in the event that PTP is not offered a DSI contract and the public process determines additional CHWM should be granted. The Policy reads:

> Bonneville will consider increasing Jefferson PUD's CHWM to serve Port Townsend Paper load contingent on three conditions: 1) Port Townsend Paper is not offered a direct service industry (DSI) contract; 2) the load is determined to be eligible for PF service; and 3) Bonneville holds a public process to consider such an increase. The increase would be limited to the Port Towsend Paper load but the process could determine a partial adjustment or no adjustment at all and whether the adjustment would be tied to the load's continued operations.

Policy § 2.4.2.6.

6. Rate Discounts

Section 5 of the draft Policy proposed that Bonneville would offer the Irrigation Rate Discount (IRD) and LDD during the Provider of Choice contract period. The IRD provided rate mitigation to irrigation loads in the agricultural sector and Bonneville has offered some form of this discount since the early 1940s. The LDD provided a discount to the wholesale power rates of customers with low system densities to the extent appropriate. Bonneville is directed to offer LDD by section 7(d)(1) of the Northwest Power Act.

Issue 107: Should Bonneville continue to offer the IRD and LDD during the Provider of Choice contract period?

Policy Proposal

Bonneville proposed to continue to offer the IRD and LDD through the Provider of Choice contract period in Section 5 of the draft Policy. For the IRD (Section 5.1), Bonneville proposed to establish the discount criteria in the PRDM and to calculate the discount in rate proceedings. Bonneville would determine the overall program costs at the outset of the new contract under the IRD methodology developed in the PRDM, with an intent to establish a level similar to that observed during the Regional Dialogue contract period (i.e., roughly 1% of the power revenue requirement that is currently approximately $22 million per year).

For the LDD (Section 5.2), Bonneville proposed to calculate the discount and develop eligibility criteria in the PRDM and/or future rate proceedings. Bonneville would also address implementation details such as whether the LDD should apply to load growth purchases. Bonneville proposed to evaluate customer eligibility on a rate period basis, instead of maintaining the current practice of evaluating it on an annual basis, which should provide customers with information for their planning purposes well in advance of implementation.

Bonneville did not address LDD costs or potential cost shifts associated with the LDD and IRD in the draft Policy.

Public Comments

Many commenters expressed support for the continuation of the IRD and LDD. Inland and Franklin supported BPA's continuation of the IRD and LDD. POC-001-Inland; POC-026-Franklin. Modern opined that IRD and LDD are positive "within the broader context of a package that accommodates diverse customer needs." POC-007-Modern. Big Bend "strongly support[ed] the continuation" of both the IRD and LDD. POC-010-Big-Bend. WREC appreciated that IRD and LDD "will remain as key elements of the forthcoming Provider of Choice contracts." POC-027-WREC. PPC supported the IRD and LDD and notes that "[t]hese rate discounts are longstanding and are of significant importance to the utilities and communities they affect, which are substantially rural and often economically disadvantaged." POC-029-PPC.

NRU supported Bonneville's proposed implementation of LDD and evaluating customer eligibility on a rate period basis. NRU also supported Bonneville's proposal to continue IRD for the Provider of Choice contract period and appreciates the inclusion of a general budget goal of 1% of Bonneville's total power revenue requirement versus a fixed dollar amount. POC-031-NRU.

Mason 3 supported the IRD and LDD as proposed in the draft Policy. Mason 3 "applaud[ed] Bonneville's move to evaluate [LDD] eligibility on a rate period basis, explaining that "[i]t is a tremendous burden to have three months to prepare for the loss as is the case with today's annual eligibility requirement." POC-022-Mason-3.

AWEC commented that it "understands the historic importance of the Irrigation Discount." Nonetheless, AWEC notes that "while critical for some of BPA's customers, it shifts costs to those customers not receiving it." AWEC concluded that "Bonneville strikes an appropriate balance in the draft Policy to limit cross subsidies in rates." POC-050-AWEC.

AWEC also commented that like the IRD, "the Low Density Discount is important to certain rural areas, but it tends to create a subsidy paid by customers in densely populated areas on behalf of customers in sparsely populated areas." AWEC recommended that Bonneville "continue to limit this discount and the transfers that it represents." POC-050-AWEC.

EWEB requested that any policies or rates in the Provider of Choice contracts that result in cross-subsidization between customers have their purposes be made clear. EWEB questioned whether rate discounts should be extended through the life of the Provider of Choice contract. POC-044-EWEB.

Evaluation and Decision

Bonneville agrees with AWEC and EWEB that Bonneville must strike an appropriate balance to limit cross subsidies in rates. For the reasons discussed below, Bonneville believes that it is appropriate to offer the discounts during the Provider of Choice contract term.

Irrigation Rate Discount

Irrigation for the agricultural industry was one of the primary historical reasons for constructing the federal dams in the Northwest, along with flood control, navigation, recreation, and power production. Early in its history, Bonneville began providing discounts to the agricultural industry and instituting caps on certain charges to encourage the cultivation and irrigation of more farmland. *See* Department of Interior, Bonneville Power Administration, 1942 Wholesale Power Rate Schedules and General Rate Schedule Provisions, Prime Power Optional Wholesale Power Rate Schedule F-2, at 6-7; Department of Interior, Bonneville Power Administration, 1954 Wholesale Power Rate Schedules and General Rate Schedule Provisions, Wholesale Power Rate Schedule E-4 at 6-7. Such discounts provide direct assistance to farmers and, because agriculture is the dominant economic driver in many rural Pacific Northwest communities, the discount also provides indirect assistance to supporting industries such as irrigation equipment sales, fertilizer companies, food processors, and trucking. Thus, the discount supports Bonneville's statutory objective to "encourag[e] the widest possible diversified use of electric energy." 16 U.S.C. §§ 832e, 838g (2022).

Bonneville believes that the IRD methodology developed in the PRDM will provide for program cost certainty and transparency. Bonneville will offer the IRD for the duration of the Provider of Choice contract period.

Low Density Discount

The LDD is a discount applied to the rates charged to Bonneville's customers with low system densities. The LDD was established in section 7(d)(1) of the Northwest Power Act, 16 U.S.C. § 839e(d)(1) (2022), which provides:

> In order to avoid adverse impacts on retail rates of the Administrator's customers with low system densities, the Administrator shall, to the extent appropriate, apply discounts to the rate or rates for such customers.

The intent of the LDD is to promote widespread use of electricity by assisting customers that provide service to areas with low system densities.

Bonneville will develop LDD criteria in the PRDM and/or future rate proceedings where interested parties will have the opportunity to provide input and review implementation details. Bonneville will offer the LDD for the duration of the Provider of Choice contract period as directed by the Northwest Power Act.

Issue 108: Should Bonneville clarify the IRD program budget?

Policy Proposal

Bonneville proposed in Section 5.1 of the draft Policy to offer the IRD in the form of a fixed mills-per-kilowatt hour discount calculated each rate proceeding according to the IRD methodology. Bonneville's IRD methodology would be determined in the PRDM. Bonneville intends to calibrate the overall program costs at the onset of the new contract under the new

IRD methodology, with a goal of costs similar to those observed during the Regional Dialogue contract period (i.e., currently $22 million per year).

Public Comments

Big Bend stated it is unclear if Bonneville is proposing a fixed dollar amount for the IRD going forward. Big Bend commented it supports using a similar methodology as under the Regional Dialogue contracts so that inflation over the duration of the Provider of Choice contract is accounted for in the total IRD. POC-010-Big-Bend.

NRU appreciated the inclusion of a general budget goal for the program. NRU recommended that the IRD program budget remain at 1% of Bonneville's total power revenue requirement rather than at a fixed dollar amount. POC-031-NRU.

Evaluation and Decision

In the draft Policy, Bonneville proposed to maintain a similar approach for the IRD program as during Regional Dialogue. The budget for the IRD program is currently approximately 1% of Bonneville's total power revenue requirement. Consistent with the draft Policy, Bonneville will determine the fixed IRD percentage in the PRDM. For each rate period, participants will receive the same fixed mills-per-kWh discount for eligible irrigation loads during the months of May, June, July, August and September.

Issue 109: Should Bonneville modify the IRD eligibility criteria?

Policy Proposal

In Section 5.1 of the draft Policy, Bonneville proposed that customers must meet one of the following criteria to be eligible for IRD program participation under Provider of Choice:

1. The customer must have participated in Bonneville's IRD program under Regional Dialogue; or
2. At least 75% of the customer's TRL must be placed on Bonneville starting October 1, 2028; and the customer's irrigation rate schedule sales, May through September in FY 2018 through FY 2022, divided by its TRL for FY 2018 through FY 2022, is at least 5%; or, if less than 5%, the average megawatt hour use for May through September in FY 2018 through FY 2022 (25 months/five years) is 7,500 MWhs or more.

Public Comments

Lower Valley requested that Bonneville eliminate the rules that were specifically written to exclude any new entrants into the program. Lower Valley commented it is locked out of the IRD because it did not participate prior to the Regional Dialogue contracts. POC-082-Lower-Valley.

OPALCO and PNGC suggested that Bonneville eliminate the IRD eligibility criteria that 75% of a customer's load must be served by Bonneville. They observed that some customers are approaching 20% Above-CHWM load that may not be served by Bonneville, and that the restriction is not compatible with the TRM construct. POC-013-OPALCO; POC-046-PNGC. OPALCO commented that Bonneville should not penalize customers who invest in non-federal resources. POC-013-OPALCO.

EWEB did not object to Bonneville providing rate discounts, but requested that any policies or rates in the Provider of Choice contracts that result in cross-subsidization between customers be deliberately called out and their purposes be made clear. POC-044-EWEB. AWEC commented that Bonneville strikes an appropriate balance in the draft Policy to limit cross subsidies in rates. AWEC recommended that Bonneville continue to limit this discount. POC-050-AWEC.

Evaluation and Decision

Building upon the Regional Dialogue Policy, Bonneville will seek to balance the IRD program objective of supporting agricultural communities with cost control and limiting administrative burdens. Bonneville believes that the proposed eligibility criteria provide an appropriate balance of program costs and benefits.

While the IRD applies to Bonneville purchases only, eliminating the 75% load on Bonneville requirement threshold would likely result in more customers qualifying for the IRD and consequently increase program and administrative costs. Bonneville acknowledges the possible conceptual mismatch between the 75% load-service from Bonneville requirement and the tiered rates construct and will also consider it during the development of the PRDM.

For the Provider of Choice contract period, Bonneville has proposed criteria that would allow new entrants into the IRD program. Bonneville notes that a utility may be eligible to participate if it meets criteria 2 for new entrant participation: At least 75% of the customer's TRL must be placed on Bonneville starting October 1, 2028; and the customer's irrigation rate schedule sales, May through September in FY 2018 through FY 2022, divided by its TRL for FY 2018 through FY 2022, is at least 5%; or, if less than 5%, the average megawatt hour use for May through September in FY 2018 through FY 2022 (25 months/five years) is 7,500 MWhs or more.

Lower Valley and other interested parties may request that Bonneville consider other possible new entrant eligibility criteria during PRDM development.

Customers must meet certain criteria to be eligible for IRD program participation under Provider of Choice. Bonneville intends to use the criteria as proposed in the draft Policy to determine eligibility. However, Bonneville will review and finalize this criteria through the PRDM.

Issue 110: Should Bonneville accept monthly irrigation load data for other years from potential IRD participants that do not have monthly irrigation load data for FY 2018 through FY 2022?

Policy Proposal

Bonneville proposed in Section 5.1 of the draft Policy that the irrigation load eligible to receive a discount would be based on a five-year average of the May through August irrigation load amounts for FY 2018 through FY 2022.

Public Comments

OPALCO and PNGC expressed concerns with the ability to provide the required monthly meter data from FY 2018 through FY 2022 for IRD eligibility. They requested that Bonneville provide allowances to either use irrigation data from FY 2023 through FY 2027 or provide an alternative consideration instead of retroactive data requirements. OPALCO and PNGC explained that some customers did not read irrigation meter data monthly prior to notification of this proposed change and therefore will not have the required FY 2018 through FY 2022 data. OPALCO and PNGC argued that new entrants to the IRD program should not be penalized for not knowing that they needed monthly irrigation data. POC-013-OPALCO; POC-046-PNGC.

Evaluation and Decision

Bonneville's draft Policy did not address the possibility of potential IRD participants lacking the required historical monthly irrigation data. Bonneville acknowledges that irrigation loads are dependent on many factors and usage varies from year to year. Bonneville recognizes that a perception of inequity could arise by allowing potential participants to collect monthly irrigation load data during different time periods.

In the past, Bonneville has had to determine eligibility for potential participants lacking monthly irrigation data. During PRDM development, Bonneville will determine whether to accept alternative data from participants who lack data from FY 2018 through FY 2022, and will clarify the methodology used for shaping annual average irrigation load data.

Issue 111: Should Bonneville increase the 12 consumers per pole mile (C/M) ratio threshold for LDD eligibility?

Policy Proposal

In Section 5.2 of the draft Policy, Bonneville proposed that in future rate proceedings, it would review implementation details for the LDD such as eligibility criteria, discount level, and applicable rates. Bonneville would also examine whether the LDD should apply to load growth. Bonneville would evaluate customer eligibility on a rate period basis, instead of on an annual basis, which should provide customers with information for planning purposes well in advance of implementation.

Public Comments

Mason 1 and WPAG requested that Bonneville review the 12 C/M criteria for LDD eligibility due to the increasing use of underground distribution facilities. They commented that any changes to LDD should review whether a higher threshold should qualify or explain why the appropriate threshold for low density is 12 C/M. POC-061-Mason-1; POC-045-WPAG.

EWEB commented that it does not object to Bonneville providing rate discounts. EWEB recognizes the importance of compromise and working for the benefit of the entire region, but suggested that policies that result in cross-subsidization should be identified and their purposes should be made clear. POC-044-EWEB. Similarly, AWEC recognized that like the IRD, the LDD is "important to certain rural areas, but it tends to create a subsidy paid by customers in densely populated areas on behalf of customers in sparsely populated areas." AWEC suggested that Bonneville should continue to limit the discount. POC-050-AWEC.

Evaluation and Decision

Bonneville proposed to establish LDD eligibility in the PRDM and/or future rate proceedings. Bonneville offers an LDD to follow a statutory directive in section 7(c)(3) of the Northwest Power Act to assist, to the extent appropriate to avoid adverse impacts on retail rates, customers with low system densities that have high distribution costs resulting from providing service to sparsely populated areas. Bonneville observes that LDD costs have been growing by approximately $1 million a year during Regional Dialogue, and the increase in LDD costs has been driven by factors including load growth of LDD utilities, rate increases, and inflation.

One of the criteria to qualify for the LDD program is having 12 or fewer C/M. Bonneville defines pole miles of distribution lines as lines that deliver electric energy from a substation or metering point at a voltage of 34.5 kV or below to the point of attachment to the consumer's wiring and include primary, secondary, and service facilities. Bonneville considers service drops to qualify as service facilities. As defined in the 2024 Power Rate Schedules and General Rate Schedule Provisions, Bonneville calculates the C/M ratio by dividing a customer's number of consumers within the distribution system at the end of the previous calendar year by the number of pole miles of distribution lines at the end of the previous calendar year.

Bonneville's prior increase in the C/M ratio was in 1987. The change occurred due to the definition of consumers expanding from residential consumers to include residential, commercial, industrial, irrigation and other consumers. With the expansion of the definition of consumers, Bonneville concluded that an increase in C/M from 10 to 12 was appropriate.

Mason 1 and WPAG suggest that Bonneville review whether the current C/M ratio of 12 continues to be appropriate or whether it should be increased. On the other hand, while not opposing the program, EWEB and AWEC have concerns regarding overall costs of the program and subsidization by other customers. Bonneville believes it is important to find balance in providing an appropriately sized discount in meeting its section 7(c)(3) obligation.

Bonneville acknowledges customer comments that underground line construction could increase the C/M ratio, reducing the customer's discount percentage and/or eligibility to qualify for LDD. When LDD eligibility criteria is established for Provider of Choice, interested parties may provide Bonneville with information so it may evaluate the comparable equivalency for replacement of overhead lines to underground and whether revisions to eligibility criteria are necessary.

Bonneville will maintain the draft Policy approach and establish LDD eligibility in the PRDM and/or future rate proceedings.

Issue 112: Should Bonneville evaluate how underground distribution lines are accounted for in the LDD C/M ratio?

Policy Proposal

Bonneville proposed in Section 5.2 of the draft Policy that in future rate proceedings, Bonneville would review implementation details for the LDD such as eligibility criteria, discount level and applicable rates. Bonneville would also examine whether the LDD should apply to load growth. Bonneville proposed to evaluate customer eligibility on a rate period basis, instead of on an annual basis, with the intent to provide customers with information for planning purposes well in advance of implementation. Bonneville did not specify how it would evaluate the C/M ratio of distribution lines in its accounting for the LDD.

Public Comments

Mason 1 commented that it supports Bonneville's willingness to review eligibility criteria for the LDD. Mason 1 requested that Bonneville review LDD eligibility for rural customers who build distribution facilities underground to mitigate against wildfire risk and tree-related outages. Mason 1 raised concerns that these projects may disqualify customers from the LDD. POC-061-Mason-1.

Similarly, WPAG requested that Bonneville consider "whether adjustments should be made to the LDD eligibility criteria to account for low density customers increasingly locating their distribution facilities underground." WPAG commented that while locating distribution facilities underground is significantly more expensive, it benefits reliability and wildfire mitigation, and increases the useful life of facilities. WPAG noted that this allows utilities "to create more efficient distribution systems with less total line miles compared to systems that rely primarily on overhead facilities." WPAG commented that such efficiencies can lead to customers disqualifying for Bonneville's LDD program. WPAG suggested that underground distribution costs will become a greater issue as utilities increasingly locate facilities underground. WPAG recommended that Bonneville commit to reviewing LDD eligibility in the final Policy to address the increasing use of underground distribution facilities by rural customers. POC-045-WPAG.

Evaluation and Decision

Currently, Bonneville considers two factors to determine the customer's LDD. The first is the C/M ratio. The second is the kilowatt hour to investment (K/I) ratio. Bonneville adds the percentage discount for each ratio to determine a participant's annual eligible LDD percentage, and the combined percentage cannot exceed 7%.

Bonneville assesses the burden of investment to the utility's infrastructure through the K/I ratio. If a customer's total retail load remains the same but their investment costs increase due to a factor such as installing underground lines, the K/I ratio may decrease and allow for a higher LDD discount. The eligible percentage increase would be temporary as asset depreciation will also impact investments annually over time. Additionally, the underground line pole miles could increase the C/M ratio, and therefore may reduce the discount percentage associated with the C/M ratio.

Bonneville recognizes that underground lines may be more costly to construct, allow for a more direct path, and reduce a customer's line mile count, which can impact both the C/M and K/I ratios. However, Bonneville does not have sufficient information to determine the level of pole mile reduction due to the construction of underground facilities or to determine the expected equivalent count of underground lines to overhead lines. Bonneville acknowledges customer comments that underground line construction could increase the C/M ratio and possibly reduce a customer's discount percentage and/or become ineligible to receive LDD.

Bonneville will establish LDD eligibility criteria in the PRDM and/or future rate proceedings. To consider whether changes may be necessary to the C/M ratio due to underground line construction, Bonneville would need a method for evaluating a comparable equivalency for replacement of overhead lines to underground lines. During PRDM development and/or future rate proceedings, interested parties may provide Bonneville with information related to line replacement for consideration.

Issue 113: Should Bonneville provide a "phase out" adjustment for customers who no longer qualify for the LDD?

Policy Proposal

In Section 5.2 of the draft Policy, Bonneville proposed to evaluate a customer's LDD eligibility on a rate period basis. Bonneville did not address a "phase out" adjustment for customers who become ineligible for LDD.

Public Comments

NRU supported Bonneville's proposed implementation of the LDD program for the Provider of Choice contract. Further, NRU appreciated Bonneville's recognition of the need for greater certainty for rural customers by proposing to evaluate customer eligibility on a rate period basis. POC-031-NRU.

WPAG commented that when a customer is no longer eligible for LDD due to the K/I or the C/M ratio test, customers can face "sudden and significant increases in their BPA power bills." WPAG recommended that "BPA and customers work together to develop an LDD Phase-Out Adjustment that helps utilities avoid the 'LDD Cliff' as they transition out of the discount." POC-045-WPAG.

Evaluation and Decision

In the draft Policy, Bonneville proposed to evaluate customer LDD eligibility on a rate period basis. Bonneville asserted that evaluating eligibility on a rate period basis should provide customers with information for their planning purposes well in advance of implementation. Bonneville believes that such information will provide certainty for the rate period and sufficient time to prepare for the rate impacts of potentially no longer qualifying for LDD in the following rate period. Bonneville did not propose a "phase out" adjustment for customers who are no longer eligible to receive the LDD.

Bonneville addressed a proposed "phase out" adjustment in the 1996 Wholesale Power and Transmission Rate Proposal (WP-96). In WP-96, "PacifiCorp advocate[d] allowing the LDD Phase-In Adjustment for any LDD utility that is disqualified due to BPA's proposal to apply the LDD eligibility criteria separately to the utility's system inside the Pacific Northwest and to the utility's entire system inside and outside the Northwest." WP-96-A-02 at 309. Bonneville's position was that "[i]f a utility no longer qualifies for the LDD, equity does not favor continuing to grant the utility a discount. It would be inappropriate for BPA to extend the Phase-In Adjustment to utilities that are disqualified from receiving the LDD." *Id.* Bonneville's decision was that the LDD would not be available to purchasers who no longer meet the criteria. *Id.* at 310. Bonneville maintains that the WP-96 determination was based on sound rationale.

Bonneville does not agree that a "phase out" adjustment would be appropriate for customers that are no longer eligible to receive the LDD. As proposed in the draft Policy, Bonneville will determine LDD eligibility on a rate period basis in order to allow sufficient time for customers to prepare for the rate impacts of potential changes in LDD eligibility.

7. Power Delivery

In Section 6 of the draft Policy, Bonneville stated that customers purchasing power from Bonneville Power Services under Provider of Choice contracts would continue to be responsible for arranging and contracting for transmission service with Bonneville Transmission Services. Customers would be responsible for contracting with Bonneville Transmission Services to deliver power from the point of receipt to the point of delivery (POD); or in the case of a transfer POD, the customer would be responsible for contracting to the relevant point of interconnection between Bonneville's transmission system and the intervening transmission system.

The draft Policy did not address Bonneville Transmission Services' products and services, which are available to all transmission customers under Bonneville's Open Access Transmission Tariff (OATT). Section 6.1 of the draft Policy stated that Bonneville's transmission policies and public processes, including those associated with Network Integration Transmission Service, are outside the scope of the Provider of Choice Policy. The draft Policy did commit that Bonneville Power Services and Bonneville Transmission Services would continue to coordinate on policies and processes to help align policies and contracts across business lines.

In Section 6.2 of the draft Policy, Bonneville described circumstances and limitations related to Bonneville's continued acquisition of and payment for third-party transmission capacity to serve PF customer loads (*e.g.,* transfer service). Bonneville also sought to ensure that PF customers' delivery of federal power is subject to policies similar to Bonneville transmission policies regardless of whether the customer is served by the contiguous Federal Columbia River Transmission System (FCRTS) or through a combination of the FCRTS and an intervening system.

Some commenters offered general observations about the draft Policy position on transfer service. OPALCO strongly encouraged Bonneville to offer transfer service on the same terms as offered under the Regional Dialogue contract. POC-013-OPALCO. Raft River commented that "if Bonneville is not going to augment the system to accommodate the potential load growth, Transfer must accommodate non-federal options." POC-017-Raft-River.

Issue 114: Should Bonneville add language that addresses the deliverability of Bonneville provided electric power to customers?

Policy Proposal

The draft Policy did not specifically address this issue.

Bonneville explained in the Section 6 of the draft Policy that Transmission Services delivers power to customers across multiple states utilizing the FCRTS and pursuant to its OATT. The draft Policy also recognized that Bonneville has a longstanding practice of providing transfer service to deliver power to customers that are not directly connected to the FCRTS.

Public Comments

Multiple commenters requested or supported Bonneville modifying the draft Policy to add specific language on federal power deliverability. POC-045-WPAG; POC-050-AWEC; POC-029-PPC; POC-031-NRU; POC-022-Mason-3. WPAG commented that there should be an "affirmative statement in the Final Policy as to [Bonneville's] obligations to ensure that there is sufficient capacity for the transmission for federal power to satisfy BPA's contractual obligations to its preference customers." POC-045-WPAG. NRU commented that there was confusion around preference customers' "statutory right to delivered power" and noted that the right to delivered power is foundational to its members. POC-031-NRU. Flathead also commented that it is important Bonneville "acknowledge the importance of delivering preference power." POC-034-Flathead.

WPAG, AWEC, NRU and Mason 3 proposed that Bonneville include the following language in the final Policy:

> Whenever requested by a public body or cooperative entitled to preference and priority under the Bonneville Project Act, BPA is obligated to offer to sell electric power to that public body or cooperative through contracts that cannot exceed 20-year terms. Congress also authorized BPA to construct, own, and operate transmission or to purchase transmission to deliver the electric power in satisfaction of this contractual obligation. In exercising its authority to market and transmit electric power, BPA's statutes provide that there be sufficient capacity for the transmission of federal power—generated or acquired—to satisfy BPA's contractual obligations. With the advent of transmission deregulation in 1996, BPA has fulfilled this obligation by and through its adoption of the Open Access Transmission Tariff. Under its OATT contracts, BPA has a legal obligation to provide transmission service, consistent with the terms of the Tariff and contracts.

POC-045-WPAG; POC-050-AWEC; POC-031-NRU; POC-022-Mason-3.

Evaluation and Decision

Bonneville agrees it should clarify its transmission obligation in the Policy. Bonneville included the following language in the final Policy:

> Whenever requested by a public body or cooperative entitled to preference and priority under the Bonneville Project Act, Bonneville is obligated to offer to sell electric power to that public body or cooperative through contracts that cannot exceed 20-year terms. Congress also authorized Bonneville to construct, own, and operate transmission or to purchase transmission to deliver the electric power in satisfaction of this contractual obligation. In exercising its authority to market and transmit electric power, Bonneville's statutes provide that there be sufficient capacity for the transmission of electric power—generated or acquired—to satisfy Bonneville's contractual obligation. Prior to 1996, Bonneville fulfilled this obligation through a bundled power and transmission contract. With the advent of transmission deregulation in 1996, Bonneville has fulfilled this obligation by and through its adoption of the OATT. Under its OATT contracts, Bonneville has a legal obligation to provide transmission service, consistent with the terms of the Tariff and customer's respective transmission contracts.

Policy § 6.

Issue 115: Should Bonneville change its approach to transmission and transfer service planning for power deliveries? Should Bonneville specify how the Provider of Choice contracts will interact with Bonneville's open access transmission tariff and transmission services?

Policy Proposal

Section 6.1 of the draft Policy specified that customers purchasing power from Bonneville under Provider of Choice contracts will continue to be responsible for arranging and contracting for transmission service with Bonneville Transmission Services. Customers purchase transmission service pursuant to Bonneville's OATT and subject to Bonneville transmission policies and business practices.

The draft Policy recognized that the energy landscape is expected to change during the contract period and affirms Bonneville's commitment to create durable products and services.

The draft Policy did not discuss Bonneville's Transmission Services products, services, policies, or public processes. Bonneville's draft Policy stated in Section 6.1 that Bonneville's Power and Transmission business lines will continue to coordinate on policies and processes.

Public Comments

The Council commented that the 2021 Power Plan shows that renewables can meet a "significant portion" of future load growth but with further electrification, additional resources are likely needed and there will need to be sufficient transmission to bring these new resources to load. The Council noted that, while there is "substantial physical capacity" currently available on the transmission system, new transmission is needed in the long term and must be planned for today. The Council stated that new resources and increased transmission "will increase costs for the region's consumers" and could potentially impact the environment. To minimize these impacts, the Council encouraged the region to work collaboratively to identify ways to optimize new resource integration into the existing system and reduce overall builds. POC-025-Council.

The Council commented that Bonneville should be proactive in addressing future system planning challenges and recommended that Bonneville work with the Council to develop a comprehensive plan that identifies the most efficient use of the existing generation and transmission system and integrating new resources into that existing system. The Council recommended there be focus on better understanding (1) the existing flexibility of the hydropower system to support integration of renewables and (2) the available physical capacity of the transmission system, and assessment of long and short-term solutions to maximize existing capacity and long-term transmission development. POC-025-Council.

Bonneville received comments from Flathead, Mason 3, NRU, and PPC acknowledging that while the draft Policy is silent on Bonneville Transmission products and services, alignment between the Transmission and Power business lines is important. POC-034-Flathead; POC-022-Mason-3; POC-031-NRU; POC-029-PPC. NRU and the NLSL Group suggested Bonneville utilize a "One BPA" approach in addressing various Power and Transmission topics. POC-031-NRU; POC-032-NLSL-Group. NRU stated "it is absolutely essential that transmission policy is closely aligned" with the Final Policy and recommended that Bonneville Power and Bonneville Transmission use the "One BPA" approach and work collaboratively with customers to identify "constructive solutions to power delivery concerns." POC-031-NRU. PPC urged Bonneville to commit to a cohesive overall approach to transmission strategy. POC-029-PPC. The NLSL Group advocated for a "One BPA" approach for incentivizing demand response and non-federal resource development instead of "siloed" Bonneville Power and Transmission approaches. POC-032-NLSL-Group.

EWEB encouraged Bonneville to "prioritize cross-agency and regional coordination and planning" to ensure Bonneville has the necessary transmission capacity to serve load under customers' Provider of Choice contracts. EWEB stated that "BPA has an obligation to plan for network loads" and encouraged Bonneville Power and Transmission staff to collaborate to ensure that transmission planning is a "top strategic priority" in the implementation of Provider of Choice contracts. EWEB expressed its appreciation of Bonneville's engagement efforts with EWEB and other stakeholders on transmission topics and would like to see this engagement continue. POC-044-EWEB.

WPAG recommended that the final Policy incentivize local resource development to address regional transmission constraints. WPAG explained that resources located closer to loads "alleviate pressure for larger regional transmission builds," which could save time and money for Bonneville and its customers. WPAG recommended that Bonneville and customers discuss implementation of "enhancements to the Short Distance Discounts for both the [Network] and [Point To Point] products," and discuss options to expedite the interconnection process for resources sited "next to the loads they are intended to serve." POC-045-WPAG.

WPAG recommended the following for the planning process. First, WPAG recommended Bonneville Transmission determine how it intends to utilize Bonneville's Network (NT) Memorandum of Agreement (NT MOA) to secure firm transmission for the delivery of specific non-federal resources used to serve Above-CHWM load. Second, WPAG recommended that Bonneville Identify how policies, timelines, and procedures will align with Bonneville's Tariff and its obligations to plan and build its transmission system to meet the 10-year load and resource forecasts. Last, WPAG asked that Bonneville work internally and with other regional transmission providers to ensure the timely development of high voltage transfer policies. POC-045-WPAG.

WPAG urged Bonneville to ensure that both business lines are ready following the release of the final Policy to implement the Provider of Choice policies. WPAG encouraged Bonneville to position "Transmission's policies and process so that they facilitate rather than hinder full implementation of the Provider of Choice policies and contracts" and identified areas where Bonneville should focus its attention to support Provider of Choice implementation. POC-045-WPAG.

The NLSL Group requested that Bonneville consider demand side flexibilities such as WRAP participation, WEIM, developing markets, and demand response programs and other markets in "the TSEP process that evaluates generation interconnection requests that are intended to meet NLSL demand." POC-032-NLSL-Group.

Evaluation and Decision

Bonneville acknowledges the importance of coordination between its Power and Transmission business lines. The two business lines have engaged throughout the Provider of Choice process from the staff to executive levels, and Bonneville is committed to continuing this engagement through implementation of Provider of Choice contracts. Under transmission deregulation, Bonneville separated into two business lines and coordinates across the organization. Transmission Services will continue to address transmission-specific issues with its customers in separate forums.

Bonneville appreciates commenters' interest in regional planning efforts. In 2023, Bonneville held a series of public workshops under the theme of "Evolving Grid" to explore current and future issues facing Bonneville Transmission Services. In addition, Bonneville, along with several energy industry entities and utilities, were instrumental in establishment of the WPP's Western Transmission Expansion Coalition. The group released a concept paper in October 2023 and is looking to find a new and more robust way to perform long-term transmission planning across the Western Interconnection. The effort aims to identify new transmission solutions that reflect broader regional and interregional consensus on transmission needs and result in transmission builds. Bonneville encourages participation in this open and transparent process, and will provide periodic updates to customers as it works with WPP and regional participants in the initiative.

WPAG offers comments regarding incentivizing local resource development. Bonneville notes that incentivizing local resource development could have rate impacts, and the incentives would need to be included in a rate case proceeding. At this time, Bonneville Transmission Services is not considering enhancements to the Short Distance Discount. Regarding WPAG's three specific recommendations, first, Bonneville Transmission Services provided information during a recent NT customer workshop on the modernization of the NT MOA and Bonneville Power Services' intended continued use of the NT MOA to arrange for delivery of resources to PF customers. Second, Bonneville Transmission Services will continue to commit time and resources to the evolution of its load and resource forecasting and planning processes, and will work with Bonneville Power Services toward alignment with the final Policy. Finally, as described in Bonneville's 2024-2028 Strategic Plan, Bonneville recognizes that the "demand for clean energy is driving the need for transmission expansion, . . . [and] is aggressively identifying and developing transmission expansion projects to support the clean energy goals of our customers and the region." Bonneville 2024-2028 Strategic Plan at 10 (Objective 4).

EWEB offers comments regarding Bonneville's "obligation to plan for network loads." WPAG similarly commented on Bonneville's "obligations to plan and build the transmission system to meet the ten-year load and resource forecasts as submitted by customers." Bonneville appreciates these comments and understands the importance of this obligation to Network Integration Transmission Service (NITS) customers. As stated in Bonneville's OATT, Section 28.2, Transmission Provider Responsibilities provide:

> The Transmission Provider will plan, construct, operate and maintain its Transmission System in accordance with Good Utility Practice and its planning obligations in Attachment K in order to provide the Network Customer with Network Integration Transmission Service over the Transmission Provider's Transmission System. . . . The Transmission Provider shall include the Network Customer's Network Load in its Transmission System planning and shall, consistent with Good Utility Practice and Attachment K, endeavor to construct and place into service sufficient transfer capability to deliver the Network Customer's Network Resources to serve its Network Load on a basis comparable to the Transmission Provider's delivery of its own generating and purchased resources to its Native Load Customers.

Attachment K to Bonneville's OATT describes Bonneville's process for developing its transmission plan and its coordination with regional and interregional planning, including how Bonneville develops assumptions and methodologies, system assessments, and conceptual solutions for its transmission plan. Part III, Section 6.1.1 addresses NITS customer data, including the obligation to provide 10-year load and resource forecast data to facilitate Bonneville's planning efforts:

> Each Network Customer shall provide to the Transmission Provider the following data: (i) forecast information for load and resources for at least the following 10-year period. Such forecast information shall include the amount and location of projected load growth, load characteristics, and good faith estimates of resource size, location, and type of generation for resource requirements; (ii) identification of projected demand response reductions; and (iii) any other data reasonably requested by the Transmission Provider from such Network Customer in connection with planning activities pursuant to this Attachment K.

Bonneville is unsure what is meant by the NLSL Groups' comment regarding consideration of WRAP, WEIM, demand response and markets in the TSEP. Bonneville clarifies that TSEP studies new requests for transmission service and is not connected to the demand response programs outlined by the NLSL Group. Further, generation interconnection requests are not evaluated through TSEP; rather, Bonneville evaluates generation interconnection requests through separate interconnection processes.

Bonneville Transmission Services is committed to engaging with customers to ensure that their transmission needs are met. Bonneville conducted Evolving Grid public workshops in 2023 to explore current and future issues facing Bonneville Transmission. In addition, Bonneville has hosted and participated in regular Network Integration Transmission Service customer meetings to seek solutions to customer concerns. As described in Section 6.1 of the Policy, Bonneville commits to continued coordination between Power Services and Transmission Services on policies and processes for alignment. Transmission Services will be prepared for the implementation of the Provider of Choice contract.

Bonneville encourages commenters to continue to engage in stakeholder processes regarding planning and expansion of the transmission system.

Issue 116: Should Bonneville join an RTO to support transfer service?

Policy Proposal

Section 1.2.3 of the draft Policy noted that there are ongoing discussions among Western utilities regarding a potential RTO. The draft Policy noted that as of the issuing of the draft Policy there was no formal process dedicated to the design and establishment of an RTO. The draft Policy acknowledged that future development of an RTO could impact the Provider of Choice contracts even if Bonneville is not a direct participant. The draft Policy proposed that Bonneville would consider how offerings are compatible with an RTO. If an RTO process developed during the policy implementation and contract development phase, Bonneville would be committed to consider any potential changes at a later date in a separate public process.

Public Comments

PNGC and OPALCO suggested that Bonneville should join an RTO as a conditional remedy to insufficient transfer service policies. PNGC and OPALCO commented that "[i]f BPA isn't going to honor its long-time commitment to the transfer service, which has benefited the entire region for decades, then the agency really needs to move swiftly to join a full RTO . . . so that transmission access issues can be resolved." POC-046-PNGC; POC-013-OPALCO. OPALCO added that it strongly prefers the SPP option. POC-013-OPALCO.

Evaluation and Decision

As stated in the draft Policy, Bonneville is committed to long-term transfer service. An RTO could offer transmission benefits over time, however Bonneville would continue to serve its transfer customers through the RTO. Bonneville is currently engaged with regional stakeholders in the development of day-ahead markets and is conducting a public process to evaluate the costs and benefits of market participation. The two day-ahead markets that are currently being developed may offer many of the same benefits of an RTO, with the key difference being that there is not a centralized transmission planning function in the proposed day-ahead markets. One consideration for a day-ahead market is that it could potentially expand into an RTO. However, it is unclear whether the current day-ahead markets under development in the West will ultimately evolve into RTOs, although this stepped approach appears to be the preferred path for many Western stakeholders. Past experience has shown that developing an RTO in the Northwest is a difficult proposition. If Bonneville joins a day-ahead market, the market could provide Bonneville with additional flexibility for serving transfer loads.

Under the current OATT paradigm, transmission providers are obligated to plan and build its system to meet load growth for transfer customers. While this process can be slow, transmission is built to meet the needs of transfer customers. Bonneville will continue to encourage transmission development, and when necessary, Bonneville will take the steps to enforce the requirements of the third-party transmission provider's OATT.

Issue 117: Should Bonneville clarify that it will continue offering the Mid-C over non-firm exchange?

Policy Proposal

The draft Policy did not address the Mid-C over non-firm exchange.

Public Comments

Commenters expressed appreciation for the Mid-C over non-firm exchange, and the role it plays in allowing customers to access non-federal resources in light of practical limitations of transfer service over third-party systems. WREC stated that it supports non-federal transfer limits "exactly as they were under Regional Dialog [sic] including the continuation of the Mid-C Exchange." POC-027-WREC. NRU commented: "[a]s currently implemented, the Mid-C Exchange is a perfect example of how Bonneville's power supply and transmission policy staff can work collaboratively and constructively to create solutions that benefit both the agency and its customers. We strongly encourage Bonneville to consider similar outside-of-the-box thinking in the future and look forward to working with you toward that end." POC-031-NRU.

Evaluation and Decision

Bonneville worked with customers through the course of the Regional Dialogue contract to develop service implementation solutions where necessary. The Mid-C over non-firm or "Mid-C Exchange" was a service developed years into the Regional Dialogue contracts to help facilitate delivery of non-federal power purchased by transfer customers that they schedule through the Mid-C market hub without designating the resource as a Network Resource. Bonneville understood that for a majority of transfer customers, the Mid-C over non-firm service was the only viable option to transmit such power to serve their load in conjunction with the power sales agreement and that complied with transmission agreements applicable to service of customers' load. Power customers rely on this type of arrangement to help facilitate their use of non-federal resources similar to other Bonneville provided services like transmission curtailment management service, RSS and transmission scheduling service.

Bonneville will work with customers during the policy implementation and contract development phase to explore the need for and viability of these services, recognizing the necessity of accurate information for transmission planning purposes, and consideration of WRAP requirements. Additionally, Bonneville would develop any applicable rates for these services through the PRDM or other 7(i) process. Bonneville looks forward to working with customers to explore services that may be needed to deliver customers' non-federal resources to load, whether they are located in the Bonneville balancing authority or in a third-party transfer provider's balancing authority.

Issue 118: Should Bonneville pass-through to a customer the costs of transfer service associated with service to NLSLs?

Policy Proposal

In Section 6.2.2. of the draft Policy, Bonneville stated that during Provider of Choice it will pass-through the costs of transfer service associated with power sold at an NR rate, whether serving an NLSL or an IOU, to the individual customer serving the load. Section 6.2.3 of the draft Policy also stated that Bonneville will support customer development of non-federal resources by continuing the practice of proposing to recover the costs of the network component of transfer service for a limited amount of non-federal resources serving Above-CHWM load from the Tier 1 cost pool.

An NLSL is not part of a customer's general requirements PF-eligible load, as discussed in Section 2.4.1.2 of the draft Policy, and is not part of a customer's Above-CHWM load, which is limited to PF-eligible load.

Public Comments

Bonneville received many comments on the draft Policy position related to transfer service costs associated with serving a customer's NLSL.

In the case of service to an NLSL with firm power at the NR rate, AWEC commented that it supports the draft Policy "compromise" that limits the amount of financial assistance to transfer customers, "including the exclusion of costs of transfer service associated with Federal power sold at the NR rate." AWEC noted that this limit provides a "safeguard to the level of subsidy reflected in the Tier 1 cost pool." POC-050-AWEC.

Harney and Lithium Americas opposed the draft Policy position. Harney stated that allocating transfer service costs associated with delivery of firm power at an NR rate "conflicts with BPA's long-established policy concerning transfer service and including those cost in BPA power costs." Harney also noted that the draft Policy conflicts with Bonneville's Regional Dialogue decisions to (1) avoid pancaked transmission rates for customers served by transfer service, and (2) recognize the Southern Intertie as an intervening system. Harney stated that it "is unaware of any change in law that would justify BPA's change in its policy on allocation of transfer service costs" and the draft Policy position is "basically a reversal" of the Regional Dialogue Policy, therefore Bonneville "must explain its legal basis for reversing its prior policies." POC-052-Harney.

Harney commented that directly assigning transfer costs for service to an NLSL is a penalty without any statutory basis because the Northwest Power Act does not direct Bonneville "to impose additional financial impacts to NLSL's through transmission service or transmission rates." Harney argued that the draft Policy proposal "exceeds the scope of Congress's NLSL provisions" and "does not reflect Congressional intent or provisions in the Northwest Power Act." POC-052-Harney.

Harney commented that the draft Policy position is inconsistent with Bonneville's position on decarbonization. Harney noted that based on the expected national, state and local benefits from the Thacker Pass Project, Bonneville should assist project development "to the extent such help is within the Administrators discretion." Harney commented that "[i]f BPA is sincere in supporting its customers local priorities in decarbonization, then BPA needs to consider the impacts of its policies on the Cooperative's efforts to provide power service to the Thacker Pass Project." POC-052-Harney.

Lithium Americas recommended that "BPA socialize transfer costs for NLSL purchasing federal power at the NR rate in the NR rate pool" to ensure that transfer customers are not disadvantaged relative to directly connected customers when serving an NLSL with firm power at an NR rate. Lithium Americas requested further clarification on two points: (1) whether Bonneville intends to directly allocate transfer service costs associated with delivering firm power to serve an NLSL across all intervening systems, despite the pancaking of transmission charges, and (2) in the case of Harney, whether the direct assignment of costs result in pancaking of transmission service costs of three systems. POC-049-Litium-Americas.

Harney also commented the draft Policy "provides that BPA will pay for transfer service costs for its customers' delivery of non-federal power for net requirements load and Above-CHWM loads." Harney argues that this means if Harney were to use non-federal resources to serve the Thacker Pass Project, Bonneville would pay for this up to the notice limitations on non-federal transfer service. However, Harney commented that this is not a viable option because using non-federal power to serve the Thacker Pass project is impractical. POC-052-Harney.

Lithium Americas further commented that the draft Policy does not address the treatment of transfer service costs associated with delivering a customer's designated resource to serve an NLSL, but suspects that Bonneville intends to pass-through these costs to the transfer customers. Lithium Americas stated that this treatment will overly burden the load service to Harney's NLSL. POC-049-Litium-Americas.

Finally, Lithium Americas commented that the draft Policy is not clear on the treatment of ancillary services and losses and requested that Bonneville clarify how it would treat ancillary services and losses associated with serving a transfer customer's NLSL with firm power at an NR rate. If a customer serves an NLSL with dedicated resources, Lithium Americas requested that Bonneville treat transfer customers and direct connect customers similarly and not expose transfer customers to pancaked ancillary services and losses charges when serving an NLSL. POC-049-Litium Americas.

Regarding transfer service costs for a customer's dedicated resources serving an NLSL, AWEC commented that it supports limiting financial assistance for non-federal resource deliveries. POC-050-AWEC.

Evaluation and Decision

Bonneville has never incurred a cost for transfer service to transmit Bonneville NR power to a customer to serve an NLSL. As such, Bonneville views this issue as a matter of first impression. The Policy proposes to pass transfer costs associated with an NLSL on to the customers that require this service. In reaching this Policy decision, Bonneville considered how this approach comported with (1) the statutory context for Bonneville's rates, (2) the tiered rate construct itself, and (3) Bonneville's past transfer policies. Additionally, even if the Policy proposal could be characterized as a change in policy, Bonneville considered whether this change would be appropriate for the post-2028 period.

First, Bonneville considered the statutory context. Bonneville's rates fall into two general rate pools. Section 7(f) of the Northwest Power Act establishes the NR rate, which is Bonneville's marginal resource cost rate (with some additional adjustments). This rate pool recovers the cost of firm power supply that is sold to a customer for service to an NLSL and to sales of power to meet IOU net requirements. The section 7(b) rate applies to sales of power used to serve public customer section 7(b)(4) "general requirement" loads at the PF rate. The amount of these purchases, as measured by a customer's load, by definition, exclude power that would be used to serve NLSLs. The tiered rate construct applies to sales under the section 7(b) rate pool, and consequently, is limited to serving a customer's section 7(b)(4) "general requirements." Section 7(f) and section 7(b) are separate rate pools for which costs are allocated to establish rates applicable to power sold to meet distinct classes of customers and, in the case of NLSLs, a defined end-use consumptive load. To that end, the Northwest Power Act sets these rate pools up so that each rate pool recovers its own costs.

Harney comments that direct assigning transfer costs for service to an NLSL is a penalty without any statutory basis because the Northwest Power Act does not direct Bonneville "to impose additional financial impacts to NLSL's through transmission service or transmission rates." Harney also contends that the draft Policy proposal "exceeds the scope of Congress's NLSL provisions" and "does not reflect Congressional intent or provisions in the Northwest Power Act." POC-052-Harney. Bonneville does not view requiring customers that purchase power at the section 7(f) (NR) rate to pay for their own transmission costs as violating Congressional intent or any provision of the Northwest Power Act. Nothing in the Northwest Power Act requires Bonneville to allocate the transmission costs associated with the delivery of power from one rate pool (NR power from the section 7(f)) and apply it to another (PF Tier 1 from the section 7(b)). If anything, Bonneville's proposal is more consistent with Congressional intent as it places the transmission cost obligation (here transfer service for NR power to an NLSL) on the customer that uses that service.

Second, Bonneville also considered the impact of NLSL transfer costs on the tiered rate construct. Specifically, Bonneville considered whether proposing to allocate transfer service costs for NR power to the PF Tier 1 rate would support or undermine the tiered rates construct. This consideration strongly favored excluding these costs from the PF Tier 1 rate. Including NLSL transfer costs in the PF Tier 1 rates spreads the transmission costs for delivering non-PF power (*e.g.,* NR power) to serve a non-general requirements load (*e.g.,* an NLSL) across all PF customers. That outcome undermines two of the central tenets of tiered rates, namely to "protect the value of the existing federal system from unbound acquisition costs" and "insulate customers from costs associated with other customers' resource choices." Policy § 2.2.

The potential cost consequences of allowing unbounded NLSL transfer costs to impact the PF Tier 1 rate cannot be overstated. Already, Harney's Thacker Pass Project may result in upwards of 80 MW of NLSL service on Bonneville. It is well known that other customers in the region are also looking at sizable, large facility load increases, many of which may be determined to be NLSLs. Without the draft Policy's limitation, Bonneville would be exposing the PF Tier 1 rate to an unknown amount of new and potentially high transfer costs for loads that are not eligible for PF rate benefits. Bonneville fails to see how that outcome advances the objectives of tiered rates or any of the principles of the Provider of Choice Policy.

Third, Bonneville considered the draft Policy's proposal in view of Bonneville's past transfer service policies. Bonneville acknowledges that it has a long-standing practice of initially paying for transfer service over intervening utility systems for Bonneville power deliveries. Bonneville also recognizes that under the Regional Dialogue contract, one could infer that Bonneville's transfer service obligation to initially pay for transfer service could include sales of power at the NR rate. That said, Bonneville's policies do not directly speak to transfer service for NR power to serve an NLSL. Rather, Bonneville's transfer service policies have been built from its experience with delivering its customers' section 7(b) "general requirements" purchases, which expressly excludes purchases for service to any NLSL. The lack of any instance with incurring transfer service costs for NR power to serve an NLSL over the last 44 years means that Bonneville has never had occasion to determine the appropriate cost treatment for such costs. The presence of new, potential NLSLs for which a customer may seek to supply with power purchased from Bonneville, such as those discussed by Harney and Lithium Americas, make these issues relevant for the Provider of Choice contract period. As such, Bonneville believes clarifying its prior policies and positions on NLSL transfer service in the Policy is appropriate.

Harney argues that Bonneville is making a "policy reversal" in the draft Policy by requiring customers to pay for transfer service for NR power sales to their NLSLs. Bonneville, however, does not agree that its prior policies have directly addressed transfer service for NLSLs. While various Bonneville transfer documents describe transfer service in its most generic sense (*e.g.,* for firm requirements section 5(b) service) in none of these discussions does Bonneville ever mention transfer service for NR sales to an NLSL. The earliest iteration of those policies is the Agreement Regarding Transfer Service (ARTS) and its accompanying ROD. The ARTS agreement was executed in 2005 and is a policy-based commitment to propose recovering transfer costs in a generally applicable rate for a period of 20-years. The ARTS agreement expires next year (2025), and as such, its policy commitments have no import on the Provider of Choice contract period (which begins in October 2028). Nonetheless, it is telling that neither the ARTS agreement nor the ARTS ROD mention the NR rate or NLSLs. Indeed, the ARTS agreement expressly excludes other federal power sales (surplus sales) from its scope. The lack of any discussion of NR power and the exclusion of other federal power sales (surplus power) casts doubt that transfer service for NR power to serve an NLSL was a long-held or key aspect of transfer service.

The TRM picked up where the ARTS agreement left off and included transfer costs (called Third Party General Transfer Agreement (GTA) Wheeling) as a cost that is shared by all public customers in the Tier 1 rate, Composite Cost pool. *See* TRM, Table 2.B. The TRM, however, is also entirely silent on whether NLSL transfer costs would be included within the scope of the "Third-Party GTA Wheeling" costs category.

NLSL transfer costs are also not mentioned in the Regional Dialogue Policy, Regional Dialogue Policy or Contract RODs, or contracts. The obligation to incur transfer service costs comes from the Regional Dialogue contracts. There, Bonneville committed to acquire transfer services for firm power purchases from Bonneville that are used to serve a customer's firm load. *See* Regional Dialogue Contracts § 14.6. At the time Regional Dialogue contracts were negotiated and executed, the only power purchase amounts Bonneville was supplying with transfer service were for customer "general requirements" loads, that is, not NLSLs. None of the policy documents developed at the time of Regional Dialogue – the Long-Term Regional Dialogue Policy, Long-Term Regional Dialogue Policy ROD, or the Regional Dialogue Contract ROD – contain any discussion of providing transfer service for NR federal power deliveries to an NLSL. This is not surprising because no customer had at that time ever purchased power at the NR rate to serve an NLSL – a point Harney readily acknowledges.

Harney comments that Bonneville has a "long-standing" policy of including transfer costs in its power rates and that Bonneville is violating that policy by not placing transfer customers on an "equal footing" with customers directly connected to the Bonneville transmission system. Harney also contends that Bonneville saved transmission costs by not building redundant facilities to serve its customers using transfer service. POC-052-Harney. Bonneville has strived to provide a measure of parity between directly connected customers and transfer customers in recognition of the historic cost savings associated with transfer service. Nevertheless, this parity has always been subject to limits. For instance, Bonneville imposed a megawatt cap on the amount of new or annexed load that would be eligible for transfer service in both the Regional Dialogue Policy and the Regional Dialogue Contract ROD. Regional Dialogue Policy at 41; Regional Dialogue Contract ROD at 61-62. Bonneville also limited the amount of transfer service Bonneville would support for non-federal power serving a preference customer's Above-RHWM load. *See* Regional Dialogue Policy at 38-39; Regional Dialogue Contract ROD at 65-72. Each of these limits was adopted to provide "cost protection" from unconstrained transfer costs in the PF Tier 1 rate. Regional Dialogue Contract ROD at 62. Importantly, these limits constrain transfer service even though it is used to support section 7(b) "general requirements" loads. The Policy's proposal builds from these limitations and logically extends them to preclude the PF Tier 1 system from being pressured with transfer costs associated with a different rate pool (section 7(f)) and for a different load (NLSL).

Treating transfer costs for section 7(b) power and transfer costs for section 7(f) power differently is not a new concept. It occurred even under Regional Dialogue. For example, Bonneville's Regional Dialogue contracts and policies state that non-federal transfer service is limited to a customer's Above-RHWM Load. Above-RHWM Load is a defined term in the Regional Dialogue contract and specifically excludes an NLSL. *See* Regional Dialogue Contract § 2.3 ("'Above-RHWM Load' means the forecast annual Total Retail Load, less Existing Resources, NLSLs, and the customer's RHWM, as determined in the RHWM Process."). In simple terms, if a customer wanted to serve its Above-RHWM load (*e.g.,* "general requirements" load) with a non-federal resource, Bonneville agreed to incur those transfer service costs (within certain limits) and recover them in the PF Tier 1 rate. If a customer chose to serve its NLSL (*e.g.,* non-general requirements load) with non-federal power, however, Bonneville would not cover those transfer costs. While Harney contends Bonneville's transfer policies are designed to place customers on "equal footing," the above shows that, even under Regional Dialogue, transfer service for a customer's NLSL was not treated the same as transfer service to a customer's 7(b) general requirements load.

In short, the Policy's proposal is not an abrupt reversal of an existing policy. The lack of discussion in any of the preceding 20 years of policies and RODs on NLSLs and NR transfer service tends to show that the issues Harney and Lithium raise have not been directly addressed. The propensity of Bonneville to adopt limits and constraints on its transfer service cost obligations in its policies demonstrates that cost controls have always been a consideration in Bonneville's transfer service priorities. Also, Bonneville's transfer policies acknowledge differences between transfer service costs incurred for service to "general requirements" loads and transfer service costs incurred to serve NLSLs. As such, Bonneville concludes that its proposal in the draft Policy is not a reversal from prior, long-standing policies, but a logical clarification of Bonneville's existing policies that has largely gone unaddressed. Now that there is more interest in using NR power to serve NLSLs, it is appropriate for Bonneville to make clear its policy. That is what the draft Policy does.

Fourth, even if Bonneville's proposal in the draft Policy were to be considered a change in position, Bonneville believes the reasons it has articulated above support the adoption of that new policy for the post-2028 contract period. The outlook that customers may request NR service for new, large loads is greater now than it has been in almost any other time in Bonneville's history. In view of these changed circumstances, it is appropriate for Bonneville to consider whether these loads should be allowed to spread a portion of their transmission costs across all PF rate payers. Bonneville concludes that passing these costs on to the customers that incur them for the post-2028 contract period aligns better with basic principles of cost causation, conforms to the rate pool concept developed by Congress in section 7, and preserves the value of the PF Tier 1 system for all PF customers consistent with the tiered rate construct.

Harney comments that it is unaware of any change in law that would justify Bonneville's change in its policy on allocation of transfer service costs. Bonneville agrees that no law has changed relative to NLSLs, and that the Northwest Power Act does not direct Bonneville "to impose additional financial impacts to NLSL's through transmission service or transmission rates." At the same time, nothing in the Northwest Power Act requires Bonneville to take on these delivery costs in the first instance or to recover these transmission costs in any particular manner. New contracts are being considered here, and new facts – potential NLSL service – require Bonneville to consider this issue for the Provider of Choice contract period.

Harney also suggests that if Harney were to serve its NLSL with non-federal power, Bonneville would cover the transfer service, up to the annual 41 MW cap. Pointing to Bonneville's transfer service policy for non-federal resources, Harney notes that if "Harney could obtain non-federal resources . . . BPA would pay for the transfers services costs for the delivery of that non-federal power to the Thacker Pass Project." Harney contends this option does not provide it enough certainty and claims that had Harney been connected to the Bonneville transmission system, no such limit would have applied. POC-052-Harney.

Harney misreads Bonneville's draft Policy. As the draft Policy explained "[t]he tiered rate construct applies to the portion of net requirements load which is eligible to be served at a PF rate." Draft Policy § 2.4.1.2. Only load that is "PF-eligible" may be served under tiered rates, and, importantly, only these loads may be eligible for transfer service. The definition of PF-eligible load tracks with the Northwest Power Act's statutory definition of "general requirements" under section 7(b)(4), and thus, expressly *excludes* NLSL. *See Id* ("Bonneville will determine PF-eligible load using the energy net requirements methodology, as described in Section 2.1.1, based on three components: TRL, NLSLs, and dedicated resources as shown in the calculation below: *PF eligible load = Total Retail Load – New Large Single Loads – Dedicated Resources*.").

Under the tiered rate construct, PF-eligible load comes in two forms: CHWM and Above-CHWM. Harney is correct that Bonneville proposed to pay for transfer service for non-federal resources serving Above-CHWM loads, subject to specific caps. *Id.* § 6.2.3. Above-CHWM load, however, does not include NLSLs. Thus, the draft Policy does not propose to pay for the transfer service cost of a customer's NLSL, and Harney's statement that it could serve its NLSL with non-federal resources and have Bonneville pay for the transfer service is, therefore, incorrect.

Lithium Americas acknowledges that the draft Policy's proposal to pass-through transfer costs for serving an NLSL would also apply to non-federal power deliveries. Lithium Americas, however, asks how such a policy would not "overly burden[]" Harney's NLSL with Bonneville network charges as well as intervening transmission charges. Harney raises a similar comment, noting that Bonneville's transfer policies were designed to avoid pancaked transmission rates for federal power deliveries. Harney notes that if they were directly connected to the Bonneville transmission system, they would not be subject to pancaked rates.

Bonneville agrees that avoiding pancaked rates and the unnecessary building of transmission facilities are important goals of Bonneville's transfer policies. To that end, Bonneville remains committed to providing transfer service, as described above, for meeting a customer's section 7(b) requirements load. However, Bonneville has never committed to an open-ended obligation to pay for transfer service. As discussed above, under Regional Dialogue, Bonneville agreed to initially pay for the transfer costs associated with a customer's net requirements served by Bonneville, but with megawatt caps and limitations for certain types of loads. Such limitations are appropriate considering Bonneville's obligation to set rates for power "in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles . . . ." 16 U.S.C. § 825s (2022). Protecting the PF Tier 1 rate from the transmission costs associated with another rate pool aligns with these statutory duties and strikes the right balance.

Lithium Americas also requests Bonneville to allocate the costs of NLSL transfer service to the NR rate pool so that all customers in this rate class can share in its costs. While allocating transfer costs to the rate pool that is using that service is an acceptable means of recovering those costs, ultimately, Bonneville views its proposal as simpler and superior. If Bonneville proposed to allocate transfer costs to the general NR rate pool, it would be a rate case issue of whether those costs should be spread across all sales of power at the NR rate. At present, there are no other NR sales so, for practical purposes, there would be essentially no difference between passing through these costs to the applicable customer and allocating these costs to the NR rate. In the future, though, if other loads did emerge and Bonneville's sales of power at the NR rate increased, it would be an open rate issue as to whether Bonneville should allocate these costs to the NR rate in general or develop a separate NR rate to recover the costs of the applicable services. The draft Policy avoids these delayed conflicts by following the simpler path of passing through the costs of transfer service for NLSLs to the customers supplying such loads who, in turn, would likely pass-through the cost to the NLSL.

Lithium Americas asks for clarification on the topic of ancillary services and losses associated with an NLSL. As stated in Issue 125, Bonneville will pass-through the costs associated with any acquisition of third-party transmission to serve an NLSL, including the cost of ancillary services and losses.

Lithium Americas asserts that the costs associated with transfer service to an NLSL may be significant. While Bonneville does not disagree, it is due to this significance that appropriate cost treatment is important. NLSLs by their nature represent the largest potential for load growth for customers served by transfer. In very significant cases, as in the case of Lithium Americas where its geographic location in northern Nevada is remote and its electricity demand is forecast to be high, incremental and/or new transmission construction would be necessary. In deciding to assign the costs of transfer service associated with an NLSL to the customer, Bonneville is seeking to balance the first principle identified in the draft Policy – that PF Tier 1 rates are set at the lowest possible rates consistent with sound business principles—with Bonneville's practice of supporting transfer service for firm power general requirements. The draft Policy achieves this balance by honoring Bonneville's historic commitment to support its customers' section 7(b) loads with transfer service while taking prudent steps to limit the cost exposure of its PF Tier 1 rate from potentially high transfer service costs associated with NLSL.

For these reasons, it is reasonable for Bonneville to maintain the draft Policy proposal for transfer service costs associated with an NLSL. Bonneville will pass-through the costs of transfer service associated with power sold at an NR rate, including ancillary services and losses, to the individual customer serving the load. Additionally, Bonneville will pass-through the costs of transfer service, including ancillary services and losses, associated with an NLSL served by a non-federal resource.

Issue 119: Should Bonneville clarify the details regarding customers holding their own transfer agreements with third-party providers?

Policy Proposal

In Section 6.2.1 of the draft Policy, Bonneville proposed that a customer could request to contract directly with a third-party transmission provider. Bonneville would review any such customer requests and determine whether to accommodate such requests in its sole discretion on a case-by-case basis. The draft Policy identified several factors that Bonneville would consider in its review, including but not limited to whether Bonneville has cost responsibility for the load served at the requested points of delivery, consistency with the transmission provider's tariff and business practices, and any impacts to Bonneville's other service(s) to that provider.

Public Comments

Lithium Americas raised several questions about the draft Policy position allowing customers to contract with third-party transmission providers. Lithium Americas requested clarification on the following: (1) would this apply to PF deliveries served with firm power or dedicated resources, or NLSLs served with non-federal resources; (2) how would the customer holding the contract affect the billing determinants or billing factors that Bonneville uses to calculated BPAT Network Transmission Charges; (3) would this provision apply in situations where both Network service and non-Network service is at a single, discrete POD; and (4) does a "third-party transmission provider" mean service over "intervening transmission systems?"

Lithium Americas requested that Bonneville provide examples where Bonneville would either accept or reject a request to contract directly with a third-party transmission provider. POC-049-Lithium-Americas.

Evaluation and Decision

Bonneville has always carefully considered the costs and risks associated with a determination of whether Bonneville or the customer should hold a contract that acquires third-party transmission capacity to serve a PF customer's load. Bonneville currently has over 80 PF customers that are served by more than 20 third-party transmission providers. Historically, Bonneville has found it to be beneficial from an administrative and costs assurance perspective to directly contract for third-party transmission, particularly to ensure Bonneville's firm power sales contract obligation is met. One of the administrative efficiencies is that Bonneville can use a single service agreement for transmission for multiple customers. This enables Bonneville to create a single power schedule across Bonneville and the third-party transmission system and deliver power to multiple customers utilizing one contractual point of delivery. This simplifies scheduling and streamlines the billing process, including WEIM billing. Since the establishment of open access transmission in the mid-1990s and the ability for power customers to seek alternative power suppliers, Bonneville has worked to accommodate such arrangements, including requests from customers seeking independent contract service from third-party transmission providers. If customers were to individually contract for third-party transmission, there would be increased administration in breaking out individual contracts, additional scheduling complexity, and new billing procedures to reimburse customers for certain transfer costs.

From a cost control perspective, because Bonneville is proposing rolled-in rate treatment for the costs associated with transfer service for CHWM and Above-CHWM load, the agency believes it is more reasonable for it to continue to contract with third-party transmission providers to ensure the provision of efficient and cost-effective services, the accurate scheduling of the FCRPS, and that energy imbalance charges and credits are assessed to Bonneville. In addition, Bonneville retains contractual privity with the transmission providers and therefore has the right to challenge the rates and charges, and initiate billing disputes if necessary. This is an important function that helps to ensure that the recovery of transfer service costs remains reasonable. Bonneville would lose the line-of-sight of these costs and not have an ability to work with the transmission providers on issues falling under the service agreement if a customer were to hold the contract.

While Bonneville intends to contract for a majority of the third-party service agreements, there may be situations where it makes sense for the customer to contract directly with the third-party transmission provider. Several instances of this treatment currently exist, with customers contracting directly with third-party transmission agreements, often to facilitate a secondary plan of service for emergency use. The draft Policy proposed that a customer could request to contract directly with a third-party transmission provider and Bonneville would review any such customer requests and determine whether to accommodate such requests at its sole discretion on a case-by-case basis. Bonneville intends to continue to allow customers holding their own transmission agreements in Regional Dialogue to hold those same transmission agreements in Provider of Choice.

Lithium Americas requests clarification about scenarios to which an exception could apply. The draft Policy did not specify if the exception would only be available to deliveries of Bonneville supplied firm power, delivery of dedicated resources serving Above-CHWM load or delivery of non-federal resources serving an NLSL. A customer could request to contract directly with the third-party transmission provider in any of these instances and Bonneville would consider the request and determine whether it is reasonable in light of the circumstances for the customer to hold the contract.

As noted in the draft Policy, Bonneville will consider several factors, including but not limited to, whether Bonneville has the contractual obligation to supply the customer with the power used to serve the load at the requested points of delivery, consistency with the transmission provider's tariff and business practices, and any impacts to Bonneville's other service(s) to that provider. For example, if a transfer customer serves an NLSL from a discrete POD, it may be reasonable for the customer to directly contract with the third-party transmission provider since Bonneville would be passing the transfer costs through to the customer.

Lithium Americas asks, "where a Network customer. . . would be receiving power over both Network service (for non-NLSL load) and non-Network service (for NLSL) at a single, discrete POD, will this arrangement be available under Provider of Choice agreements?" As noted in the draft Policy, Bonneville would consider requests on a case-by-case basis. The proposed scenario would have a mix of load: transfer service costs would be passed through for the NLSL portion and a "rolled-in" rate treatment would be proposed for the general requirements portion, consistent with the final Policy. Because a mix of load is at a single, discrete POD, and the customer contemplates use of Network and non-Network service to that single POD, it may not be possible to split out the load. This would be up to the third-party transmission provider. From a cost perspective, if the customer were to contract for the entire load (NLSL and non-NLSL load as stated in the comment), Bonneville would need to determine how it would reimburse the customer for transfer service costs for the portion of load that Bonneville proposed rolled-in rate treatment for. Because each service agreement and the loads and resources included under each service agreement are unique, Bonneville will need to review such requests before agreeing the customer could contract with the third-party transmission provider.

Lithium Americas also requests that Bonneville clarify if "third-party transmission provider" is meant to include service over "intervening transmission systems." An intervening transmission system refers to the third-party system that is between Bonneville's transmission system and a transfer customer's system, generally its distribution system. For some customers, there may be multiple intervening transmission systems.

Finally, Lithium Americas asks if the customer holding the contract with the third-party transmission provider would affect the billing determinants or billing factors that Bonneville uses to calculate Bonneville Transmission Services Network Transmission charges. This Policy does not change how Bonneville would calculate Bonneville Transmission Services Network Transmission charges. The Policy noted that Bonneville's transmission products and services are available to all transmission customers pursuant to Bonneville's OATT. Transmission service will continue to be billed pursuant to Bonneville's transmission tariff and rate schedule provisions in effect at the time. Absent a change to the tariff or rate schedules, Bonneville Network Transmission will bill based on the customer's designated Network Load.

For these reasons, Bonneville will continue to contract with third-party transmission providers, but as noted in the draft Policy, Bonneville will consider customer requests to directly contract on a case-by-case basis.

Issue 120: To what extent should Bonneville require that non-federal resources obtain firm transmission and/or designation as a Network Resource in order to be eligible for transfer service from Bonneville that is recovered in the Tier 1 cost pool, and what happens if firm transmission is unavailable?

Policy Proposal

Section 6.2.3 of the draft Policy proposed financial assistance for non-federal transfer service would be subject to three limitations: (1) the non-federal resource must be designated as a network resource on firm transmission, (2) financial assistance for non-federal transfer service is limited to the last leg of transmission required for delivery to the customers' load, and (3) financial assistance for non-federal transfer service is limited to 41 incremental MWs per year.

The draft Policy proposal did not specify what, if any, alternative service Bonneville would provide if firm transmission was not available.

Public Comments

Multiple commenters raised questions around the draft Policy position that non-federal resources must be designated Network Resources on firm transmission. Inland and the AHWM Group requested Bonneville to clarify why it was imposing "additional" or "more strict" requirements for non-federal resources. POC-024-AHWM-Group; POC-001-Inland. OPALCO and PNGC asked Bonneville to explain what would happen if firm transmission was not available and inquired whether Bonneville would grant exceptions. POC-013-OPALCO; POC-046-PNGC. Additionally, the AHWM Group asked if Bonneville would consider allowing non-federal resource designations on non-firm network transmission. POC-024-AHWM-Group.

Inland and the AHWM Group stated that Bonneville should "appreciate the challenges of securing firm transmission" and that customers need more certainty around these questions to enable them to make Above-CHWM resource decisions at the start of the new contract. POC-024-AHWM-Group; POC-001-Inland. The AHWM Group noted that the requirement is at odds with the policy goals to support non-federal development. POC-024-AHWM-Group. Finally, Inland noted that the requirement is "at odds with the broader commitment to act on behalf of customers to ensure quality supply." POC-001-Inland.

The AHWM Group further commented that customers served by transfer should have a similar ability to designate market purchases as direct-connected customers have and Bonneville should seek comparability between those two circumstances. POC-024-AHWM-Group.

Flathead commented that Bonneville "needs to ensure that it is not taking an anti-competitive position by not being able to deliver non-federal generating by somehow being able to deliver its own Tier 2 products." POC-034-Flathead.

Evaluation and Decision

Requiring non-federal resources to be designated Network Resources on firm transmission is not a new, additional, or more restrictive requirement. This has been a contractual requirement since Regional Dialogue. Non-federal resources serving transfer load must be designated as Network Resources, memorialized in Sections 3.4 and 3.5 of Exhibit G of the Regional Dialogue contract and the Transfer Service Support for Non-federal Resources Agreements (TSSA) that implement Exhibit G. Pertinent parts of Sections 3.4 and 3.5 of Exhibit G read as follows:

> 3.4 BPA shall not be liable to «Customer Name» in the event that Network Resource designation cannot be obtained.
>
> 3.5 BPA shall only obtain or pay for Transfer Service for «Customer Name»'s non-federal resource if it is designated as a Network Resource under the Third Party Transmission Provider's OATT with a commitment of at least one year.

Firm transmission has long constituted the standard for Bonneville's service over third-party transmission facilities to serve preference customer loads. In most cases, Bonneville acquires NITS from third party transmission providers to deliver firm power from the FCRPS to the customers POD. When requesting new or modified NITS service, the transmission provider evaluates its system to determine whether there is available transmission capacity (ATC) to designate Network Resources for the Network Load. If the transmission provider determines there is firm capacity, it will grant the transmission service request and will consider the load a Network Load and the transmission customer will be able to schedule its designated Network Resources on firm network transmission.

Firm network transmission is in the highest priority tier during curtailment events, meaning it would be the last service, along with long-term firm Point-to-Point, to be cut. If ATC is not available, the transmission provider will study what system upgrades are needed to accommodate the request. For existing service, Bonneville has designated the FCRPS as a Network Resource on firm transmission to serve load at the transfer customers' PODs. Requiring non-federal resources to be designated on firm transmission is consistent with the treatment of firm power deliveries from Bonneville.

Some commenters pointed to the fact that requiring designation as Network Resources on firm transmission will stifle non-federal resource development. In some cases where firm transmission may not be available between resource and load, the transmission provider will identify upgrades needed to enable firm delivery. The transmission provider will provide a study that identifies the estimated timeline and costs associated with the upgrades. The timeline may not align with the desired timeline for integrating a new resource or meeting an incremental load and it may cause delays if a resource is ready to come online or the load is to be served before transmission upgrades are completed.

In some cases, a transmission provider may offer non-firm secondary network transmission on an as-available basis. This is a lower priority service and risks being curtailed ahead of firm transmission. In the event of curtailment, Bonneville could be responsible for coordinating outages and additional costs from resupply and WEIM. This administrative complexity and potential for increased costs exposure would ultimately be borne by all other customers purchasing power at a priority firm rate. Under the OATT, the third-party transmission provider is required to redispatch Network Resources during a curtailment event, thus avoiding load shedding except in the most extreme circumstances. There is no redispatch requirement for Network Load being served on non-firm secondary network transmission. In extreme circumstances, use of lower priority transmission in a curtailment event would lead to a higher risk of load shedding.

The risk of stifling non-federal resource development could be mitigated through robust and early communication regarding planned non-federal resource development and the advanced request for transmission capacity, leading to earlier studies on needed facility improvements and construction agreements. These topics have been thoroughly addressed in Exhibit G of the Regional Dialogue contract and the TSSA to implement the similar requirement to designate non-federal resources as Network Resources in transfer provider Network Integrated Transmission Service Agreements (NITSAs). In cases where customers desire certainty for their consideration of non-federal resource development, Bonneville could request transmission capacity for the Provider of Choice period ahead of 2028, which would lead the transmission provider to engage in studies, planning, and to begin any necessary construction activities ahead of the need for the non-federal resource.

While the requirement to secure firm transmission poses a potential hurdle to customer resource development, firm transmission represents a significant enough value in terms of long-term load service that Bonneville will retain the requirement in the Provider of Choice Policy. As discussed in detail in the Regional Dialogue Policy and ROD, firm transmission obligates transmission providers to reserve and hold transmission capacity when conducting planning studies, minimizes curtailments through a superior curtailment priority, and obligates transmission providers to provide essential services under their OATT such as network redispatch. These requirements are and continue to be compelling, especially in the case of a physical resource being developed to serve firm power load on a long-term basis.

Several customers raised the question of what Bonneville will do if firm transmission is not available for a non-federal resource. It is important to note the diversity of business practices, regional market participation, and tariff and contract language among transmission providers working with Bonneville to provide service to PF customers requiring transfer service. Given this context, there is no standard approach that Bonneville can commit to in the event that firm transmission is not available for a non-federal resource, but it should be understood that the availability of firm transmission can be a matter of timing. The transmission providers with OATTs have an affirmative obligation to plan their transmission systems to meet the requests for Network service, but the timing of upgrades may not align with the desires of Bonneville's transfer customers to deliver the non-federal resources to load.

Bonneville will submit the relevant requests for a customer's non-federal resource and coordinate between the customer and the third-party transmission provider to conduct the appropriate studies to identify what builds may be necessary to make firm transmission available, and on what timeline firm service may be available. If firm transmission is not available in a timely manner for that resource, Bonneville will have no obligation to obtain transfer service for that resource until such firm transmission is available. In some cases, it may take years before the necessary builds are complete and firm transmission becomes available. If the third-party transmission provider offers non-firm secondary transmission on an "as-available" basis, Bonneville, at its sole discretion, will determine if non-firm secondary transmission is a viable interim plan of service for a non-federal resource and, if so, will work with the customer to determine how such service will apply, curtailment requirements, and any other parameters necessary for such interim service. In cases where Bonneville determines that secondary transmission is a viable interim plan of service, Bonneville will support that resource similar to a resource that is designated as a Network Resource by proposing to recover the costs of the network component of transfer service for non-federal power serving Above-CHWM load from the Tier 1 cost pool.

Additionally, in seasonal cases where firm transmission is not available to a new transfer POD or to load growth at an existing transfer POD, a relatively recent circumstance that has arisen in Regional Dialogue, Bonneville understands that customer utilities may have an obligation to provide service. Bonneville will endeavor to secure as firm a level of service as possible in these cases. In these cases, Bonneville will clarify in its Provider of Choice contract with the public power customer that the transmission service to these particular PODs is non-firm, and that customer recognizes and accepts the risk of curtailment and even load shedding that may occur in the event of congestion. Bonneville will also clarify these risks, albeit reduced, in the case of a transfer service POD being served with firm transmission.

The Pacific Northwest has historically had ample transmission availability to designate new Network resources and serve loads with firm transmission. However, load growth and resource integration have used a significant portion of the available transmission capacity and most, if not all, transmission systems are constrained at various times of the year. It is imperative that customers provide Bonneville with the most up-to-date load and resource forecasts to ensure that transmission providers are able to plan for Network load growth and resource development.

One commenter questions how Bonneville could deliver a power at a PF Tier 2 rate while being unable to deliver a non-federal resource to the customer's load. This is a matter of resource designation. As noted above in this issue, Bonneville has designated the FCRPS as a Network Resource. However, if a customer would like to use a non-federal resource to serve its load, Bonneville must request a new Network designation for that resource. The third-party transmission provider will study the request pursuant to its OATT to determine if transmission capacity is available to deliver the resource on firm transmission. The study results will depend on many factors that are outside of Bonneville control such as the size and location of the resource. Bonneville's Policy does not drive whether firm transmission is available on a third-party's transmission system and Bonneville is not taking an anti-competitive position through this Policy.

Issue 121: Should Bonneville clarify requirements for consumer-owned resources outside of Bonneville's balancing authority area?

Policy Proposal

The draft Policy did not address the requirements for consumer-owned resources outside Bonneville's balancing authority area.

Public Comments

Lithium Americas requested that Bonneville clarify the following: (1) what business policies (Bonneville Transmission's or third-party transmission provider's) apply when dealing with a customer served by Bonneville Transmission and transfer service, (2) whether NV Energy's or Bonneville Transmission's business policies apply to on-site cogeneration that would be connected to Harney's south system, and (3) which balancing authority policies apply to Harney's south system load relevant to the WEIM, the WRAP, and any regional markets, programs and initiatives that may be introduced during Provider of Choice. POC-049-Lithium-Americas.

Evaluation and Decision

In the case of load and resource interconnection, the customer must generally follow the transmission business practice of the balancing authority the load and/or resource resides in. In the case of a transfer customer that is on the edge of a system or served by both direct connection and transfer service, the customer may need to consider both Bonneville Transmission business policies and the third-party transmission provider's business policies.

Lithium Americas poses multiple questions related to what transmission policies apply to co-generation in Lithium Americas' situation. Relative to Bonneville Transmission, the draft Policy stated that it does not address Bonneville's Transmission products and services. Bonneville encourages customers to reference Bonneville's Transmission Tariff and associated Business Practices for policies and procedures that relate to the use of its transmission system, and to interconnecting load or resources within its balancing authority.

Relative to Lithium Americas' question regarding third-party transmission service, Bonneville has transmission arrangements with multiple transmission providers to deliver firm power to the many transfer customers throughout Bonneville's service territory. Each of these third-party transmission providers has its own tariff, or transmission procedures that govern how resources are brought to load. They also have their own Business Practices that also contain tariff or contract implementation details. Finally, many transmission providers have adopted in their tariff, or indicated they will adopt, provisions related to WEIM and the WRAP. The details of transmission service can vary widely by transmission provider. There is no one-size-fits-all approach when it comes to rules around customer-owned or consumer-owned resources. Bonneville works with customers through their Power and Transmission account executives and the Transfer Service group to arrange for service associated with new or growing loads and resources. Therefore, Bonneville will not use the Policy and ROD to opine on the application of various transmission policies relative to individual customer situations.

Issue 122: Should Bonneville limit its financial support for non-federal transfer service to the last leg of transmission?

Policy Proposal

Section 6.2.3 of the draft Policy proposed that financial assistance for non-federal transfer service would be subject to three limitations: (1) the non-federal resource must be designated as a Network resource on firm transmission, (2) financial assistance for non-federal transfer service is limited to the last leg of transmission required for delivery to the customers' load, and (3) financial assistance for non-federal transfer service is limited to 41 incremental MWs per year.

Public Comments

WPAG and NRU commented in support of the draft Policy proposal to limit non-federal transfer service to the last leg of transmission. WPAG commented that it agrees with Bonneville's proposal to limit transfer service support for non-federal resources to a single leg of transmission service. POC-045-WPAG. NRU also commented that it supports the last leg, however NRU requested that the limit include exceptions that would allow for (1) grandfathering of existing multiple leg arrangements, and (2) other limited exceptions related to California-Oregon Intertie service to Nevada, and for Southeast Idaho, Southwest Wyoming and other public power customers exposed to multiple wheels beyond their control (e.g., various asset-swaps and balancing authority changes, line removal due to implementation of the Boardman-to-Hemingway Transfer Service Plan, etc.). POC-031-NRU.

WREC did not support the proposed limit and encouraged Bonneville to "provide equitable service among all transfer customers" and remove the "last leg" limit from the Policy. WREC would like Bonneville to maintain that the Southern Intertie is not an intervening system. WREC offered the following language for Bonneville to include in the final Policy:

> It is not BPA's intention to knowingly place any transfer customer in a poorer position vis-à-vis other transfer customers in terms of diversifying power supplies. To do so would potentially frustrate the purposes behind the policy, which is encouraging development of regional electrical infrastructure. BPA will strive to replicate, for qualifying non-Federal energy, the wheeling path used to deliver Federal power, subject to the other constraints placed on Transfer Service. Furthermore, BPA does not recognize the Southern Intertie capacity used to serve customers as an intervening system in the context of Transfer Service. Therefore, it will remain with BPA, if necessary, to utilize Southern Intertie capacity to meet contractual obligations, including providing service for non-Federal energy.

POC-027-WREC. Harney also cited this same contract language and commented that Bonneville's draft Policy proposal is a reversal of Bonneville's position in the Long-Term Regional Dialogue Contract Policy and Bonneville must explain its legal basis for reversing prior policies. POC-052-Harney.

Lithium Americas similarly commented that for customers delivering a non-federal resource across two intervening systems, the "last leg" requirement should include the transfer costs for both systems, otherwise the draft policy disadvantages transfer customers, such as Harney Electric, relative to customers directly connected to the FCRTS. POC-049-Lithium-Americas.

Multiple commenters expressed concern about the draft Policy position and commented that the last leg requirement for non-federal resources is a departure from the non-federal requirements under the Regional Dialogue contract. Inland, the AHWM Group and OPALCO commented that limiting non-federal resource support to the last leg of transmission is inconsistent with Bonneville's proposal to keep transfer service similar to terms under the Regional Dialogue contract. POC-001-Inland; POC-024-AHWM-Group; POC-013-OPALCO.

PNGC made a similar comment that the non-federal last leg requirement is also a change from the Regional Dialogue Policy to provide rolled-in rate treatment for the cost of all third-party transmission charges for Tier 1 power. PNGC concluded that it "strongly encourages BPA to adopt the same terms for transfer service that exist under the current power contract." POC-046-PNGC.

Evaluation and Decision

Bonneville appreciates the many comments in support for the policy to limit non-federal transfer service to the "last leg." This limit constitutes an important control on costs associated with non-federal transfer service. Several commenters misconstrue this policy as a departure from the Regional Dialogue contract. In fact, Bonneville currently limits non-federal transfer service to the last leg in nearly all instances. Section 5 of Exhibit G of the Regional Dialogue contract provides:

> BPA shall pay only the capacity costs associated with transmission service to «Customer Name» over transmission facilities of the Third Party Transmission Provider that either: (1) interconnect directly to «Customer Name»'s facilities or (2) interconnect to BPA transmission facilities which subsequently interconnect with «Customer Name»'s facilities. «Customer Name» shall arrange for, and pay any costs associated with, the delivery of non-federal power to an interconnection point with the Third Party Transmission Provider, including obtaining and paying for firm transmission across all intervening transmission systems.

Bonneville's draft Policy proposal to limit non-federal transfer service to the last leg is consistent with the Regional Dialogue approach. If Bonneville were to generally provide non-federal transfer service for multiple legs of transmission, this would represent a higher level of service relative to directly connected customers. Transfer customers would be able to acquire resources from distant balancing authority areas and ask Bonneville to acquire and incur the costs for transmission across each intervening system between that resource and their load, whereas a directly connected customer would have no such ability to ask Bonneville to pay for costs associated with intervening transmission systems. Therefore, Bonneville will maintain the practice of generally limiting non-federal transfer service to service over the "last leg" subject to the limited exceptions for WREC and Harney discussed in this Issue.

Several customers note discrete instances where Bonneville does in fact pay for transmission over multiple transmission systems. This occurs in the case of WREC and Harney, where service over the Malin Transformer, a facility owned by PacifiCorp, and the NV Energy transmission system, is required to deliver Bonneville supplied firm power from the FCRTS to PF customers.

In these existing circumstances, Bonneville agrees that additional accommodation is warranted in Provider of Choice. Bonneville will continue to provide non-federal transfer service over multiple legs of third-party transmission for the customers receiving such service in Regional Dialogue.

Additionally, Bonneville appreciates WREC's comment that Bonneville Power Services currently provides service to some customers using capacity over the Southern Intertie. In the policy implementation and contract development phase, Bonneville will work to clarify Power Services obligation to secure, pay for, and provide capacity over the portion of the Bonneville

Transmission system associated with Southern Intertie deliveries to transfer customers, particularly for capacity not currently provided in Regional Dialogue.

Bonneville recognizes that future circumstances may arise that require similar exceptions to the general rule of only providing non-federal transfer service for the last leg. Any future decisions to provide service over multiple legs will be at Bonneville's sole discretion and will be limited to instances where delivery of Bonneville-supplied firm power to a particular transfer customer's POD requires service over multiple transmission systems. Bonneville will treat these circumstances as unique and does not plan to include provisions in the Provider of Choice Policy related to these situations.

In the Policy, Bonneville will maintain its approach of providing rolled-in rate treatment for a limited amount of non-federal transfer service for the last leg of transmission, with the noted exception.

Issue 123: Should Bonneville adjust the limits for transfer service support for non-federal resources?

Policy Proposal

Section 6.2.3 of the draft Policy stated Bonneville would continue to recover the cost of the network component of transfer service for (1) non-federal power deliveries serving Above-CHWM load, and (2) non-federal resources serving PF-eligible loads below their CHWM from the Tier 1 cost pool, subject to three limitations: (a) the non-federal resource must be designated as a network resource on firm transmission, (b) financial assistance for non-federal transfer service is limited to the last leg of transmission required for delivery to the customers' load, and (c) financial assistance for non-federal transfer service is limited to 41 incremental MWs per year.

Related to cost exposure, the draft Policy stated it is Bonneville's intent that transfer customers pay the same or similar categories of costs as those paid by directly connected customers. When structuring contracts, policies, and rates for transfer service, Bonneville proposed that it would endeavor to maintain consistent treatment of cost categories between customers that are served by transfer service and customers that are directly connected to the FCRTS.

Public Comments

Most commenters generally supported or did not object to the transfer service draft Policy proposal. POC-003-ICUA; POC-010-Big-Bend; POC-044-EWEB. Other commenters offered specific support for the draft Policy proposal on non-federal transfer service. POC-026-Franklin; POC-007-Modern; POC-031-NRU; POC-050-AWEC. NRU commented that it supports the draft Policy related to cost recovery associated with non-federal resources serving PF-eligible loads. POC-031-NRU. WREC commented that it supports non-federal transfer limits that remain exactly as they were under the Regional Dialogue contract. POC-027-WREC.

The Council commented in support of non-federal transfer service but recommended limiting support to non-federal resources that are consistent with Bonneville's comprehensive strategy and the Council's power plan. The Council further commented that a cost shift such as rolling in the costs of transfer service for non-federal resources "must be supportive of the overall regional need and not just the needs of a specific utility customer." POC-025-Council.

AWEC commented that they continue "to support BPA's initial 'compromise' proposal to continue rolled-in treatment only for non-federal transfer associated with physical, local resources, while eliminating rolled-in treatment for other transfers." POC-050-AWEC.

NRU requested that the Policy continue the requirement that non-federal transfer service be used solely for service to general requirements load. NRU explained this to mean "Bonneville's obligation to provide non-Federal transfer service is limited to meet the Transfer Service customer's AHWM requirement loads and, notwithstanding Bonneville's proposed 5 MW aggregate exemption, only to the extent that non-federal resources do not displace Tier 1 purchases." POC-031-NRU.

Two commenters requested clarification on the 41 MW limit. NRU commented that it supports the incremental 41 MW per year limit but requests clarification that amount is "over and above the amount included at the end of Regional Dialogue." POC-031-NRU. Seattle expressed concern that the 41 MW limit is insufficient to "insulate non-Transfer Service customers from significant cost of the load and resourcing decisions of others." Seattle also commented that Bonneville should provide detailed quantitative information about current and projected amounts and costs of non-federal Transfer Service to support the 41 MW rate period limit. POC-039-Seattle.

Evaluation and Decision

Bonneville appreciates and acknowledges the multiple comments in support of the limits that Bonneville proposed for non-federal transfer service. In light of Bonneville's proposal to continue including costs associated with non-federal transfer service in the Tier 1 cost pool, these limits represent an important set of sideboards on Tier 1 costs while balancing the goal of enabling transfer customers to pursue non-federal resources without financial disincentives relative to directly connected customers.

Several commenters suggested additional limits on non-federal transfer service. As noted above, the Council recommended that Bonneville limit support to non-federal resources that are consistent with Bonneville's comprehensive strategy and the Council's power plan, stating that rolling in the costs for non-federal transfer service "must be supportive of the overall regional need and not just the needs of a specific utility customer." POC-025-Council.

Bonneville disagrees that the Council's proposed limitation would be an appropriate incentive for encouraging the type of resource customers select to serve their load. Adopting the Council's recommendation would expose transfer customers to uneven incentives for resource selection that directly connected customers are not exposed to. Moreover, Bonneville's policy for providing transfer service is not designed to incentivize customers to acquire or build specific types of resources. Those decisions are best made by customers and regulatory entities that have responsibilities for achieving local and regional objectives regarding resource selection and construction.

AWEC suggests that Bonneville limit non-federal transfer service to physical, local resources, a concept that was briefly put forward in workshops prior to issuing the draft Policy. Bonneville considered this concept and ultimately rejected it due to the uneven requirements that it placed on transfer customers relative to directly connected customers, and the difficulty in clearly defining the characteristic of "local." Allowing transfer customers to source power from a broad range of resources preserves their flexibility and defrays the impact of Bonneville utilizing third-party transmission facilities to serve their load, a choice made years ago that has resulted in more efficient transmission usage and significant regional savings. Bonneville also heard broad support, and minimal dissent, for the concept of returning to the Regional Dialogue Policy of non-federal transfer service for all resource types following that workshop.

And finally, NRU raises the topic of non-federal resources that may serve PF-eligible load other than Above-CHWM Load, specifically "Bonneville's proposed 5 MW aggregate exemption." POC-031-NRU. Bonneville agrees that in cases where a transfer customer is allowed to displace CHWM load due to the non-federal resource allowance, Bonneville should provide transfer service to the non-federal resource serving load and proposes to recover the cost of the network component of transfer service from the Tier 1 cost pool. This is captured in the policy language where Bonneville states that "[a]dditionally, Bonneville will propose to recover the costs of the network component of transfer service for non-federal resources serving PF-eligible loads below their CHWM from the Tier 1 cost pool."

As to commenters questions and concerns over the proposed 41 MW limit, the limit is proposed as an annual limit, not per rate period. The limit will apply to new non-federal transfer service and will therefore be in addition to any non-federal transfer service provided during the term of the Regional Dialogue contracts.

Some commenters asked for detailed analysis of how much transfer load growth is expected during the Provider of Choice contract period, recognizing that the basis for the Regional Dialogue contract limit was projected average load growth during the Regional Dialogue contract term. While Bonneville does not believe that sharing detailed load growth projections is necessary, Bonneville has analyzed forecasts of transfer customer load growth during the Provider of Choice contract period and expects projected PF-eligible load growth of transfer customers during the Provider of Choice contract period to exceed the Regional Dialogue contract limit of 41 MW per year on average. Bonneville believes 41 MW per year remains a reasonable limit that balances support for non-federal resources while providing for cost control. Bonneville will maintain the 41 MW non-federal transfer limits in the Policy as proposed.

Issue 124: Should Bonneville clarify its commitment to quality of service from third-party transmission providers?

Policy Proposal

Section 6.2.4 of the draft Policy proposed that Bonneville would continue to act on behalf of transfer customers to ensure that third-party transmission providers extend quality of service consistent with established contracts and tariffs. Bonneville proposed to formalize communications standards in transfer agreements and commit to taking a proactive role in working with third party-transmission providers during the planning of local transmission facilities that could be used to serve customer loads.

Bonneville explained in the draft Policy that customer collaboration with relevant transmission providers is vital for Bonneville's planning process and to uphold or enhance service quality while maintaining costs. To maintain or improve quality of service, Bonneville stated that it would require transfer customers to provide timely planning information regarding load and resource forecasts, expansions or upgrades, as well as load additions or losses.

The draft Policy also specified that Bonneville intends for transfer customers to pay the same, or similar, categories of costs as directly connected customers. Thus, Bonneville would endeavor to maintain consistent treatment of cost categories between customers that are served by transfer service and customers that are directly connected to the FCRTS.

Public Comments

Several commenters offered feedback on the draft Policy proposal on quality of service for transfer customers. ICUA commented that it supports the draft Policy but would like to see "additional strengthening in this record of decision of these statutory obligations for comparable service to directly connected customers." POC-003-ICUA. Big Bend commented that "it is essential that our members have the same. . . quality of service regardless of the actual transmission provider." POC-010-Big-Bend. Idaho Falls commented that it seeks a transfer service policy "that is clear in keeping service, as much as physically possible, equal in terms to directly connected customers." POC-040-Idaho-Falls. United requested that the Policy clarify that transfer service will be equal to or improved from that provided under the Regional Dialogue contract. POC-023-United.

PPC commented that it "supports all necessary efforts to ensure that customers receive the best possible quality of service." PPC explained that while transfer service provides economic benefits to the region, it has been premised on a plan of service that is comparable to the service directly connected customers receive. PPC concluded that if a comparable standard of service cannot be met, Bonneville should reconsider the underlying assumption of the plan of service. POC-029-PPC. Inland questioned how Bonneville would ensure quality of service under the new contracts. POC-001-Inland.

Some commenters expressed concern that Bonneville was moving away from prior commitments to keep transfer service on equal terms. United commented that it is concerned that the Policy will not treat transfer service comparable to directly served customers and that Bonneville is moving away from keeping "transfer service on equal terms as implemented under the Regional Dialogue." POC-023-United. The AHWM Group also commented that it is concerned that "BPA is seemingly walking away from a commitment to keep transfer service on equal terms as implemented under the Regional Dialogue contract." POC-024-AHWM-Group.

NRU commented that it understood Bonneville's reluctance to commit to a specific quality of service standard. However, NRU also commented that as the contract holder, Bonneville must take a proactive role in working with third-party transmission providers. To that end, NRU proposed that Bonneville modify the Policy to include language acknowledging that "status quo is unacceptable" and to clarify the following commitments related to quality of service. First, when new service is required, NRU requested that Bonneville Power Services and Transmission Services commit to work together with the customer and third-party transmission provider to determine the best overall plan of service that is either equivalent in treatment to directly connected customers, where practical, or a fair compromise when equivalency is not feasible. On this point, NRU also asked that Bonneville commit to apply technical expertise to evaluate the best plan of service. POC-031-NRU.

Second, NRU commented that Bonneville should be explicit in a commitment to document communication standards or protocols and take a more proactive approach in working with third-party transmission providers for local transmission planning, metering changes (new or existing), and to allow transferee participation in resolving service-related issues. Third, NRU requested that Bonneville commit to further encourage and facilitate interconnection agreements between transmission providers and customers. POC-031-NRU.

Evaluation and Decision

Bonneville appreciates the many comments it received on this important topic. Some commenters recognized that Bonneville is limited in its ability to improve the quality of service in its role as a transmission customer of a third-party transmission provider. Nevertheless, commentors made clear that there is work to be done on the topic of quality of service for customers served by transfer, not only in terms of the Provider of Choice contract period, but also more immediately.

Bonneville deeply values the benefits transfer service provides to the region. Bonneville has a long history of working with third-party transmission providers and its customers to provide quality transfer service. By making use of third-party transmission facilities to deliver firm power to customer loads, Bonneville, its ratepayers, and the region have realized significant savings over the alternative of building redundant transmission facilities.

However, transfer service has certain downsides, namely the complexity and the potential for issues around quality of service. It is Bonneville's goal to minimize any quality of service issues transfer customers experience to the greatest extent practicable under relevant contracts, tariffs and business practices. One commenter requested that Bonneville strengthen the record to reflect its "statutory obligations for comparable service to directly connected customers." Bonneville does not have a statutory obligation to ensure that the transfer service is offered on a comparable or identical basis as service to directly connected customers. By contract and policy, Bonneville has committed to provide comparable service for transfer customers related to ancillary services and direct assignment costs.

However, related to quality of service, Bonneville did not guarantee equivalent service because, as the transmission customer on a third-party system, Bonneville cannot guarantee equivalent service that is within the purview of third-party transmission providers. Customers that are directly connected to Bonneville's transmission system take service pursuant to Bonneville's OATT. However, directly connected customers also receive different levels of service depending on their location and how they are interconnected to the Bonneville transmission system. Similarly, where Bonneville arranges for transfer service, the quality of transmission service from a third-party transmission provider depends on customer location, facility configurations, and other factors.

A third-party transmission provider's OATT or other transfer agreement establishes the terms and conditions for transmission service to Bonneville customers. As the contracting party, Bonneville works to ensure the third-party transmission providers meet the terms of the contract, NITSA, OATT and/or other transmission policies. Bonneville relies on its technical expertise and coordination with the transfer customer and the third-party transmission provider to implement the best plan of service based on the circumstances (*i.e.,* location and how the load is interconnected) that impact the quality of service. Bonneville endeavors to align the service provided to the transfer customer with the service that transmission provider provides to its native load.

Bonneville will endeavor to ensure that the transmission providers uphold their obligations under transmission contracts. This may include, but is not limited to, challenging transmission providers' contract interpretations, intervening in Federal Energy Regulatory Commission (FERC) proceedings related to transmission providers' OATTs, and participating in third-party transmission planning for new facilities applicable to transfer customers. In some cases, this may involve applying the language of the FERC pro-forma OATT, FERC rulings and case law. Usually, third-party transmission providers are willing to work with Bonneville on the best plan of service for transfer customers and they do not want to have FERC interpret their responsibilities to meet the needs of Network Transmission customers. In other cases, it may involve contractual interpretations and the limited regulatory recourse that may be available by state law when dealing with public utilities that provide transfer service but are not subject to FERC's jurisdiction. In the face of so many variables, Bonneville cannot guarantee outcomes, as the suggested comparable or equivalency standard would only ever be reached if Bonneville could control OATT development, business practices, service configurations and other elements that are clearly outside of Bonneville's control when service is via other transmission providers. Bonneville commits to strong and persistent advocacy for transfer customers.

In response to several suggestions from NRU, Bonneville will continue to commit to work together with the customer and third-party transmission providers to determine the best overall plan of service when a new POD is required, consistent with the Guidelines Regarding Requests for Transfer Service to New Points of Delivery. Bonneville will also continue to apply its technical expertise to evaluate the best plan of service. On this point, as with transfer service more broadly, Bonneville cannot assure equivalency because it must work with third-party transmission providers.

Bonneville also agrees with NRU about the need for more explicit communication standards or protocols and a proactive approach to working with third-party transmission providers for local transmission planning and metering changes (new or existing), allowing transfer customers more participation in conversations with transfer providers, and developing interconnection agreements between transfer customers and transfer providers (such as Network Operating Agreements). These efforts would provide heightened service to transfer customers. Bonneville will work to improve its transfer service program on these topics outside the scope of the Policy.

It is clear from the comments received on the draft Policy, and the comments received during the process that preceded the draft Policy, that work is needed to assess where transfer customers experience service issues and to work toward remedying those issues. Therefore, Bonneville commits to engage transfer customers, even ahead of the Provider of Choice contract period or signing, to assess where these gaps exist, and work diligently to close them.

Finally, the draft Policy proposed that Bonneville would continue to act on behalf of transfer customers to ensure that third-party transmission providers extend quality of service consistent with contracts and tariffs. Based upon Bonneville's role as the contracting party, Bonneville updated this language to delete "act on behalf of" from the draft Policy in order to clarify that Bonneville is not acting as the customer's agent.

Issue 125: Should Bonneville clarify its proposed treatment of transfer service for ancillary services and losses?

Policy Proposal

Section 6.2.6 of the draft Policy proposed that transfer customers would pay for the same ancillary services that directly connected customers are required to purchase from Bonneville Transmission Services. Bonneville proposed to pay the third-party transmission provider for all required ancillary services and then develop a rate or charge to reflect the cost of the ancillary services. Bonneville would then assess that rate or charge to customers for any ancillary services they did not pay to Bonneville Transmission Services.

For Transmission losses, the draft Policy proposed that transfer customers would pay for losses for delivered power similar to directly connected customers. Bonneville would pay the third-party transmission provider for all required losses and develop a rate or charge to reflect the losses paid. Bonneville would then assess that rate or charge to customers for any losses, or portion of losses, that the customer did not have to pay to Bonneville Transmission Services.

The draft Policy did not address ancillary services associated with service to an NLSL.

Public Comments

PNGC requested clarification on the draft Policy proposal for ancillary services and losses. PNGC understood this section to mean that transfer customers will continue to pay the Bonneville Transmission charge and rates as normal on their load. In addition to this, PNGC interpreted the draft Policy to mean that Bonneville would create a new ancillary services and transmission losses charge for the ancillary services and losses on the third-party transmission provider's system and then Bonneville would assess that rate to customers for power served at a PF Tier 1 rate and a PF Tier 2 rate. PNGC requested clarification as to why Bonneville is moving away from rolled-in rate treatment of ancillary services and losses associated with transfer service for federal power priced at a PF Tier 1 rate. POC-046-PNGC.

NRU offered support for Bonneville's proposed approach to ancillary services and losses for transfer customers and appreciates the move toward treating transfer customers in a manner equivalent to directly connected customers. NRU also noted that requiring transfer customers to pay only for losses over a single transmission system represents improvement over the treatment under the Regional Dialogue contract. POC-031-NRU.

Lithium Americas commented that cost comparability between transfer customers and directly connected customers should be fundamental to Provider of Choice. As such, Lithium Americas supports Bonneville's proposal to avoid pancaked ancillary service and loss charges. However, Lithium Americas requested clarification on whether Bonneville intends for the ancillary services and losses charges to "establish similar *overall* cost levels" between transfer and directly connected customers, or are the charges to "ensure transfer service customers pay *at least* what directly connected customers pay." (emphasis in original) POC-049-Lithium-Americas.

Additionally, Lithium Americas requested clarification about ancillary service charges associated with deliveries (federal or non-federal) serving an NLSL. Lithium Americas commented that the goal of Provider of Choice should be to establish similar treatment between transfer customers and directly connected customers for serving a NLSL with non-federal, dedicated network resources. POC-049-Lithium-Americas.

Evaluation and Decision

Bonneville appreciates the support expressed by some commenters for the draft Policy's proposed treatment of transfer service ancillary services and losses. Some commenters requested clarity on the draft Policy, asking if it might be a movement away from historic rolled-in rate treatment.

While the draft Policy does represent a change in some regards, it does not represent a move away from rolled-in rate treatment on ancillary services and losses associated with serving general requirements load. Under the Regional Dialogue contracts and TRM, Bonneville Power Services charges transfer customers for certain ancillary services if, and only if, the customer would have to pay Bonneville Transmission Services for those ancillary services if they were a directly connected customer. For example, regulation and frequency response is generally associated with the balancing authority area where a customer's load is located. Many transfer customers have the entirety of their load located in a third-party transmission provider's balancing authority area. As such, they are not charged by Bonneville Transmission Services for regulation and frequency response. Instead, the third-party transfer provider charges Bonneville Power Services for regulation and frequency response associated with the transfer customer's load. Since the customer is not paying Bonneville Transmission Services for this ancillary service, Bonneville Power Services includes a charge for ancillary services on the customer's power bill to help recover the cost of the regulation and frequency response associated with transfer service. In this example, the transfer customer is responsible for the ancillary services charge but its load, or a portion of its load, is not subject to duplicate charges.

Bonneville's proposal is that Bonneville Power Services continue the practice of charging transfer customers for ancillary services where the customer would have paid Bonneville Transmission Services if the customer had been directly connected to Bonneville's transmission system. However, presently in the Regional Dialogue contract some charges for ancillary services are assessed by contract, and others are set in Bonneville rates. In Provider of Choice, Bonneville will standardize the approach to ancillary service charges for transfer customers in future 7(i) rate proceedings.

In terms of losses, the draft Policy represents a move towards rolled-in rate treatment rather than a move away. In the Regional Dialogue contract, some transfer customers pay for multiple legs of losses for a single non-federal resource, once to Bonneville Transmission Services and again to Bonneville Power Services. This exposes the transfer customers to more costs than if the customer were directly connected to Bonneville's transmission system.

In the Provider of Choice period, Bonneville will move away from the Regional Dialogue practice and instead develop a rate for losses and assess losses if and only if the transfer customer is not already paying Bonneville Transmission Services for losses for a non-federal resource, or a portion of a non-federal resource. Transfer customers will be responsible for paying either Bonneville Transmission Services or Bonneville Power Services for losses, but not both.

Lithium Americas seeks clarity regarding the amounts that may be charged for future ancillary service rates applicable to transfer customers. Bonneville is unable to provide certainty on this topic at this time, as exact rate levels and justification will be determined in section 7(i) rate proceedings.

Finally, Lithium Americas requests clarification on how ancillary service costs would be treated for an NLSL. Ancillary Services are part of transfer service costs. As explained in Issue 118, Bonneville will pass-through the costs for transfer service, including ancillary services, that are associated with serving an NLSL with firm power sold at the NR rate or non-federal resources. Bonneville clarified the final Policy by removing the language “are required to” in the first sentence of Section 6.2.6. Bonneville made this change to avoid confusion. The Provider of Choice Policy does not set requirements for what ancillary services a customer is required to purchase versus what ancillary services can be provided by self-supply.

Bonneville will maintain its approach to assessing ancillary services and losses charges as described in the draft Policy.

8. Carbon

In Section 7 of the draft Policy, Bonneville proposed how it would treat a number of carbon-related issues. This included whether to offer a carbon-free product and how environmental attributes would be conveyed to customers under Provider of Choice contracts.

Issue 126: Should Bonneville more explicitly describe or commit to how it will support decarbonization in the Policy?

Policy Proposal

In Section 7 of the draft Policy, Bonneville proposed to focus on decarbonization consistent with Bonneville’s strategic goals.

Public Comments

Many customers asked Bonneville to include a clear statement in the final Policy that Bonneville is committed to acquiring new clean demand-side and generating resources, accompanied by a plan to work alongside the Council, collaborate with customers, and engage regional stakeholders to meet future load needs. POC-050-AWEC; POC-007-Modern; POC-014-Cowlitz; POC-013-OPALCO; POC-046-PNGC; POC-029-PPC; POC-028-NWEC-Group; POC-054-Enivronmental-Group; POC-016-Labor-Environmental; POC-053-Yakama-Nation; POC-055-Lewis; POC-080-WA-DOC.

The NWEC Group specifically requested that the final Policy discuss “how BPA will evaluate and make decisions about new resources it will need to acquire to serve load growth, accommodate changes to river operations, and address carbon-free obligations – not just to augment the existing system.” POC-028-NWEC-Group. Snohomish recommended leaving Bonneville’s carbon policy open through the product and rate development process. POC-033-Snohomish.

The Labor and Environmental Coalition also requested for Bonneville to commit to several other practices related to environmental impact analysis and workforce labor standards including incorporating the current social cost of carbon, conducting an integrated system plan, considering all commercially available demand and supply side resources, accounting for decarbonization and clean manufacturing in forecasting load growth, hiring independent entities to aid in competitive procurement processes and prioritizing bids for projects with a Project Labor Agreement. POC-016-Labor-Environmental.

Evaluation and Decision

Bonneville recognizes that there is significant interest in the region, as expressed by commenters, around what actions Bonneville may take to support decarbonization during the Provider of Choice contract period. Several commenters suggested specific practices that Bonneville could adopt or actions Bonneville could take. However, the Policy is not the correct venue for Bonneville to assess such specific actions.

Bonneville will offer to sell power under the Provider of Choice contracts consistent with its statutory obligations and informed by Bonneville's strategic plan. Bonneville's 2024-2028 Strategic Plan outlines Bonneville's current decarbonization goals. The specific actions Bonneville may take to deliver on its strategic goals related to decarbonization will be executed through other processes, and Bonneville intends to provide information through other public forums on Bonneville's efforts to achieve its strategy goals related to decarbonization.

There are many challenges that Bonneville will encounter as it assesses actions that may be taken to move towards an even lower carbon system mix. Bonneville is starting from a physical resource base that is carbon-free and, even factoring in necessary market purchases, the power Bonneville sells is, on average, 95% carbon-free. Given this baseline, Bonneville anticipates it will face challenges as it works to find effective actions that will make a meaningful difference in further reducing the carbon content of the system mix.

Currently, some states attribute emissions to Bonneville's power sales to reflect Bonneville's short-term unspecified market purchases. Bonneville makes these unspecified short-term market purchases to balance load and system generation. To date, relying on market purchases has been a more cost-effective way of meeting Bonneville's system-wide demands than acquiring generating resources on a long-term basis. Bonneville does not foresee a future where short-term market purchases do not comprise at least some portion of Bonneville's system mix. Some commenters requested Bonneville make carbon-free market purchases. As stated in the strategic plan, Bonneville intends to consider carbon-free short-term purchases where those purchases are cost effective. However, in today's energy markets, carbon-free, specified resources are not always available at the times that Bonneville needs them and, when available, they can be cost prohibitive. As electricity markets evolve, Bonneville will continue to assess cost-effective, carbon-free options for short-term purchases.

Several commenters request Bonneville evaluate new resource acquisition, including the NWEC Group which requests that Bonneville provide a "discussion on how BPA will evaluate and make decisions about new resources it will need to acquire to serve load growth, accommodate changes to river operations, and address carbon-free obligations – not just to augment the existing system." POC-028-NWEC-Group. Bonneville makes decisions on any long-term acquisitions as informed by the Resource Program and the Council's Power Plan. By statute, Bonneville's need to acquire resources must be based on its contractual obligation to supply electric power to serve customers' load. In alignment with the strategic plan, Bonneville intends to include analysis and consideration of options for non-emitting resources as part of the Resource Program and any subsequent acquisition decision process. However, when acquiring resources Bonneville must also consider other factors including cost, reliability, transmission, and ability to meet load. Bonneville will also need to consider the load service needs of its customers in states/areas without GHG/carbon reduction goals.

AWEC requests Bonneville "begin stakeholder engagement on its emissions accounting method as soon as possible." POC-050-AWEC. Big Bend also encourages Bonneville to take a holistic look at its various market initiatives and how it impacts Bonneville's emissions. POC-010-Big-Bend. Bonneville understands that questions have arisen around emissions accounting given the development of new state emission reduction programs, evolving state GHG reporting requirements, Bonneville's participation in the WEIM, and West-wide discussions around day ahead markets.[36] For Provider of Choice, Bonneville has proposed a framework for emissions accounting that it believes can evolve to these and other future changes in reporting protocols and electricity markets. However, at the present time, emissions accounting is ultimately governed by state rules, not Bonneville's methods. Bonneville will continue to work with state and local governments to provide transparent and accurate GHG reporting consistent with its statutory obligations and the final Policy.

Finally, Snohomish recommends that Bonneville's "carbon policy remain open through the product and rate development process." POC-033-Snohomish. While Bonneville does not have a specific carbon policy, it has outlined how it will deal with several carbon issues during the Provider of Choice contracts. Further refinement of how these policy positions will be implemented during Provider of Choice will be determined as part of the policy implementation and contract development process.

Issue 127: Should Bonneville offer a 100% carbon-free product?

Policy Proposal

In Section 7 of the draft Policy Bonneville stated that as the Pacific Northwest tackles the challenge of decarbonization, Bonneville will strive to meet future load needs with cost-

[36] Such questions apply beyond Bonneville, and are a function of the inconsistent landscape of state emissions regulation. *See infra*, at footnote 44 (citing sources that discuss the varying and conflicting state programs and accounting methods, and their continual evolution).

effective, carbon-free resources when acquisitions are required. But Bonneville cannot provide 100% carbon-free power or offer a 100% carbon-free product at this time.

Public Comments

Bonneville received numerous comments requesting a 100% carbon-free product in the Provider of Choice contracts. Some commenters provided general support of a 100% carbon-free product. POC-009-Benton-REA; POC-007-Modern; POC-011-Central-Lincoln; POC-012-Grant; POC-014-Cowlitz; POC-022-Mason-3; POC-054-Environmental-Group; POC-031-NRU; POC-016-Labor-Environmental. Other commenters recommended how Bonneville could provide a 100% carbon-free product. In contrast, Benton PUD supported Bonneville not guaranteeing a carbon-free product, noting it may be at the expense of maintaining reliability and affordability. POC-051-Benton-PUD.

Multiple commenters focused on accounting or cost pool methods that would lead to a carbon-free product option. POC-050-AWEC; POC-044-EWEB; POC-039-Seattle; POC-033-Snohomish. AWEC and EWEB suggested that Bonneville should offer a carbon-free product through various accounting methods. POC-050-AWEC; POC-044-EWEB. Similarly, Seattle and Snohomish suggested that Bonneville could offer a carbon-free product through product cost pool allocation. POC-039-Seattle; POC-033-Snohomish.

Other commenters want Bonneville to focus on changing trading floor practices or acquiring more non-emitting resources. POC-016-Labor-Environmental; POC-028-NWEC-Group; POC-013-OPALCO; POC-046-PNGC; POC-039-Seattle. The Labor and Environmental Coalition and the NWEC Group suggested that Bonneville develop and commit to trading floor practices that would seek out clean, specified power purchases for balancing load. POC-016-Labor-Environmental; POC-028-NWEC-Group. The NWEC Group, OPALCO, PNGC and Seattle suggested that Bonneville focus on reducing its reliance on unspecified market balancing purchases and make non-GHG-emitting supply resources a larger part of the federal supply portfolio. POC-028-NWEC-Group; POC-013-OPALCO; POC-046-PNGC; POC-039-Seattle. NRU, OPALCO and PNGC also argued that a 100% carbon-free product should be offered only to interested customers, so that customers not interested are not burdened with additional costs. POC-031-NRU; POC-013-OPALCO; POC-046-PNGC.

Evaluation and Decision

Bonneville will maintain its draft Policy proposal. Bonneville does not believe it has the ability to offer a carbon-free product as commenters have requested. As Bonneville has explained in various forums, Bonneville meets customer power needs from the federal system by selling Bonneville firm power as a “system sale.” Administrator’s Record of Decision, Energy Imbalance

Market Policy (Sept. 2019), at 64-65 ("EIM Policy ROD").[37] Under the system sale construct, Bonneville meets its power obligations by selling all the electric power produced by the federal system and acquired from non-federal resources in aggregate to meet its total contractual firm power sales obligations. Bonneville acquires non-federal resources which may include market purchases that Bonneville relies on at times to meet demand or balance federal resources.[38] A commitment to supply a 100% carbon-free product would presume that Bonneville would only use non-emitting resources to support that sale. Under existing markets and balancing practices, Bonneville cannot make that guarantee. Operationally, Bonneville neither tracks nor assigns specific purchases or resources for specific needs. The entire federal system (both emitting and not) is used to meet Bonneville's contractual obligations. Firm sales require firm energy, and to that end, the entire federal system is utilized to meet those commitments.[39]

Commenters, nonetheless, suggest that Bonneville can achieve the same ends through an accounting method or pooling construct. In other words, Bonneville can maintain its system sales construct for physical delivery of energy, but then deem certain sales as 100 % carbon-free through an administrative accounting function. Bonneville partially agrees. Bonneville does not agree that a 100 % carbon-free product can be achieved at this time because the firmness of that sale will ultimately still rely on the total federal system, inclusive of emitting and non-emitting resources. To adopt a deeming construct that assigns specific purchases or specific resources to meet certain supply needs would conflict with the reality that, in the end, system power remains available to support the firm sale. Nonetheless, Bonneville agrees that additional clarity on the resources that are forecasted to serve a cost pool is useful information, and therefore, Bonneville intends to create an accounting construct that recognizes the carbon content of the resources forecasted to serve a specific cost pool.

That is the concept presented in the Provider of Choice policy proposal. Specifically, Bonneville intends to convey attributes of power (could be carbon or carbon-free related emissions) to customers for resources Bonneville acquires to meet load at different rates (e.g., PF Tier 1 rates, PF Tier 2 rates, FPS rates, the NR rate and the IP rate). This conveyance will be at the cost pool level (*e.g,* Tier 1 cost pool, Long-Term Tier 2 cost pool, etc.), meaning all customers in the same cost pool will share in the resource-related attributes. Bonneville will not attempt to convey

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[37] The EIM Policy ROD is available at https://www.bpa.gov/-/media/Aep/about/publications/records-of-decision/rod-20190926-energy-imbalance-market-policy.pdf. Bonneville hereby incorporates by reference Section 3.2.4 of the EIM Policy ROD, which sets forth the historical and legal reasons why Bonneville makes system sales.

[38] *See*, *e.g.*, POC-031-NRU, at 43 (stating "market purchases are necessary to help Bonneville meet near-term and real-time energy demands not met by the base federal system."). Greenhouse Gas emissions are attributed to these market purchases by certain states that regulate greenhouse gases. Thus, any carbon costs of Bonneville's market purchases arise from state action, not Bonneville's action. *See* Administrator's Record Of Decision, Energy Imbalance Market Policy (Sept 2019), at 140 (available at: https://www.bpa.gov/-/media/Aep/about/publications/records-of-decision/rod-20190926-energy-imbalance-market-policy.pdf). Bonneville hereby incorporates by reference Section 3.5.4 of the September 2019 ROD.

[39] Greenhouse Gas emissions are attributed to these market purchases by certain states that regulate greenhouse gases. Thus, any carbon costs of Bonneville's market purchases arise from state action, not Bonneville's action. *See* EIM Policy ROD at 140. Bonneville hereby incorporates by reference Section 3.5.4 of the EIM Policy ROD.

emission attributes beyond the cost pool level to individual customers. The basis for this policy is that it follows cost-causation principles. If a cost pool includes the costs of certain physical resources or market purchases, it follows that the customers of that cost pool should be able to account for the emissions or RECs associated with those resources.[40] Bonneville sees this policy as striking the proper balance of aiding customers with state compliance obligations or emissions preferences, while also recognizing the system-sale nature of firm power deliveries.[41]

Commenters suggested that Bonneville reduce its reliance on unspecified purchases of power and commit to seeking out clean, specified purchases for balancing load. Bonneville has historically relied on cost-effective market purchases to meet near-term and real-time energy demands and foresees that this practice will continue. In today's energy markets, clean, specified resources are not always available at the times that Bonneville needs them and when available, they can be cost prohibitive. Benton PUD recognizes this and supports Bonneville's proposal to not guarantee a carbon-free product that would come at the expense of maintaining reliability and affordability. POC-051-Benton-PUD. Likewise, OPALCO, although it asks Bonneville to purchase more from carbon-free sources, recognizes that we are "in a world where there are such limited options for carbon-free power . . .." POC-013-OPALCO. Similarly, PPC "recognizes the limitations of current technology and market structures in allowing BPA to guarantee future options of completely carbon free power supply during the Provider of Choice period." POC-029-PPC.[42]

Within these limitations, Bonneville will seek to acquire cost-effective, carbon-free resources and purchases, consistent with Bonneville's statutory obligations and taking into consideration the strategic plan. Such resources could reduce Bonneville's total unspecified purchases and associated emissions and help Bonneville meet its power supply obligation with power produced by carbon free resources. Ultimately, Bonneville's acquisition strategy is not part of the scope of the Provider of Choice process. Bonneville intends to provide information through other public forums on Bonneville's efforts to achieve its strategic goals related to decarbonization.

Finally, Bonneville notes that several commenters suggested that Bonneville should only offer a 100% carbon-free product to interested customers, and that customers without the need for such a product should not be burdened with additional costs. However, as Bonneville will not offer a 100% carbon-free product given the potential costs and market limitations described

[40] As used in this section, a cost pool refers to the load and resource costs underlying a particular rate (*e.g.,* PF Tier 1 rate, Short-Term Tier 2 rate, Long Term Tier 2 rate, Tier 2 Vintage rate, etc.).

[41] Bonneville notes that the general attribution of resource emissions to a cost pool is akin to other reporting Bonneville does under the Northwest Power Act, *e.g,.* Section 7(j), which requires that rate schedules "shall indicate the approximate cost contribution of different resource categories . . .." 16 U.S.C. § 839e(j).

[42] In contrast to the comments recognizing the limited options for obtaining carbon free power, the Labor and Environmental Coalition asks Bonneville to "leverage its buying power" and "use its own influence over market design to demand that its market purchases be 100% clean energy." (POC-016-Labor-Environmental, at 5). Bonneville finds that this comment does not recognize current technology and market limitations.

above, there is no driver to allocate purchases to various cost pools. Further, as mentioned above, Bonneville will convey emissions and attributes commensurate with a customer's individual rate elections. This construct will provide cost insulation for customers for resources Bonneville acquires to meet load at different rates (e.g., PF Tier 1 rates, PF Tier 2 rates, FPS rates, the NR rate and the IP rate). If Bonneville acquires resources, it will do so consistent with its statutory authority; Bonneville will also give appropriate consideration to the strategic plan, the Resource Program, and trading floor practices.

Bonneville recognizes that commenters have many reasons for wanting Bonneville to offer a 100% carbon-free product as part of the Provider of Choice contracts. Many utilities are driven to pursue carbon-free resources by state requirements such as Washington's CETA or retail load preferences. It is important to keep in mind that these requirements apply to the utilities themselves, not Bonneville. Yet Bonneville understands that decarbonization is a region-wide issue (at a minimum) and can only be achieved through collective efforts. Bonneville acknowledges that many customers have called on Bonneville to help them meet their obligations under their state's GHG policies,[43] and Bonneville is doing so through various actions in the final Policy and in other forums. As a commercial entity responsible for selling products to cover its costs, Bonneville considers what customers want from its products. However, Bonneville must also balance assisting some customers with these obligations alongside reliability, cost, the realities of what is available in the market, and consideration of other customers not subject to such state laws and policies. Bonneville anticipates that the federal system will move closer to 100% carbon free over the Provider of Choice contract period, but Bonneville cannot commit to provide 100% carbon-free power or offer a 100% carbon-free product at this time.

Issue 128: Should Bonneville convey the environmental attributes of the power sold, including emissions and any RECs, commensurate with a customer's firm power purchase amount and rate elections?

Policy Proposal

In Section 7.1. of the draft Policy, Bonneville proposed to convey the environmental attributes of the power sold, including emissions and any RECs, commensurate with a customer's firm power purchase amount and rate elections.

Public Comments

Commenters widely supported Bonneville's approach of conveying environmental attributes commensurate with physical sales of power. POC-045-WPAG; POC-033-Snohomish; POC-028-NWEC-Group. Snohomish commented that the proposal "best fits customer needs and is the most effective allocation framework for meeting state compliance requirements." POC-033-

[43] *See, e.g.*, POC-009-Benton-REA, expressing an opinion that there is a "critical need for the Provider of Choice contracts to meet the needs of Benton REA and other Washington utilities and our decarbonization obligations."

Snohomish. The NWEC Group commented in support of the proposal and added "[t]o the extent this treatment is followed for all customers, it will also provide more transparency in accounting and is more likely to align with regional carbon and clean energy policy as it evolves during the contract term." POC-028-NWEC-Group. The common theme among comments was that Bonneville's proposed method of conveyance will help support utilities in meeting state policies. POC-050-AWEC; POC-014-Cowlitz; POC-031-NRU; POC-028-NWEC-Group; POC-039-Seattle; POC-033-Snohomish; POC-045-WPAG.

However, while supporting this approach, EWEB commented that because (as a Slice/Block customer) they serve their own peak need, Bonneville's market purchases to serve other customers' peak needs results in EWEB "picking up the carbon emissions for our own load service and the load service of other BPA customers." EWEB suggested Bonneville use a "fair, causation-based allocation methodology for carbon attributes." POC-044-EWEB.

The NWEC Group also supported Bonneville's approach but stated that it is "uncomfortable with BPA's statement: 'Bonneville can convey, retire, or otherwise dispose of additional RECs created by the federal system not associated with firm power sales at its discretion.'" The NWEC Group recommended Bonneville determine the allocation of renewable and carbon-free attributes to the federal system in advance of Provider of Choice contract signing in order to avoid uncertainty about the treatment of these attributes in the future. POC-028-NWEC-Group.

Evaluation and Decision

As Bonneville explains below in Issue 129, each state has different definitions for environmental attributes and RECs, the states are inconsistent in how they regulate these concepts, and the concepts are continually evolving. Given that, and the fact that these concepts were never contemplated by Bonneville's statutes, it is reasonable for Bonneville to conclude that, whatever the state-defined characteristics are of the power that customers buy from Bonneville, those characteristics will flow to customers commensurate with the physical amount of power they buy. The reasonableness of this approach is evident from the overwhelming support Bonneville received for it. Indeed, although some commenters offered critiques, no commenter took issue with this approach overall. In addition, this approach greatly helps Bonneville's numerous customers that are subject to state requirements in these areas.

EWEB suggests that Bonneville "explore[] a fair, causation-based allocation methodology for carbon attributes." POC-044-EWEB. Bonneville has explored this and found a reasonable basis to provide emissions accounting for customers electing to purchase power from Bonneville that is subject to different rates (e.g., PF Tier 1 rates, PF Tier 2 rates, FPS rates, the NR rate and the IP rate). However, as explained in Issue 127, Bonneville has not found a reason to justify providing a suballocation of emissions to physical power purchases individual customers make. Under the system sale construct, Bonneville meets its power obligations by selling all of the electric power produced by the federal dams and acquired non-federal resources in aggregate to meet its contractual firm power sales obligations. As addressed in Issue 90, in order to manage the Slice/Block product, Bonneville must plan in both the short- and medium-term to ensure the system can meet the uncertainty of how much slice right-to-power customers will request ahead of real-time operations.

Bonneville intends to provide detailed emissions accounting for physical power purchased. Customers may choose to use this information to make distinctions about emissions for reporting purposes in their respective jurisdictions. Bonneville will provide transparent accounting of the fuel mix and conveyance of environmental attributes. Bonneville anticipates its methods to account and convey environmental attributes will be flexible enough to adapt to the variety of existing and evolving state program needs, but Bonneville will evolve its methods as needed to provide a durable framework.

The last topic within this issue is the NWEC group's comment that it is uncomfortable with Bonneville's statement about disposing of additional RECs at its discretion. While the Provider of Choice contracts will represent a significant portion of Bonneville's sales, Bonneville does make other types of power sales and those sales may have environmental attributes associated with them. Conversely, certain sales may not need to convey environmental attributes if there is no value or regulatory purpose that justifies doing so. In such cases it may be beneficial for Bonneville to retain the attributes and dispose of them in other ways. Therefore, Bonneville believes that retaining any additional RECs, either for sale or for retirement, is reasonable. Accordingly, Bonneville will adopt the draft Policy proposal on this issue.

The NWEC Group also recommends that Bonneville determine the allocation of RECs in advance of Provider of Choice contract. POC-028-NWEC-Group. Bonneville intends to provide separate REC conveyance for power purchased at PF Tier 1 rates, PF Tier 2 rates, the NR rate, the FPS rate, and the IP rate. Not all resources that make up a particular cost pool will necessarily create RECs. Bonneville will determine a customer's base allocation of RECs by applying the physical sale of megawatt hours purchased from Bonneville at a particular rate to the percentage of qualifying resources assigned to that rate's cost pool. Additional details about REC allocation will be discussed during the policy implementation and contract development phase.

Issue 129: Does preference apply to environmental attributes?

Policy Proposal

In Section 7.1 of the draft Policy, Bonneville stated it would "convey the environmental attributes of the power sold, including emissions and any [RECs], commensurate with a customer's firm power purchase amount and rate elections."

Public Comments

Many customers and customer groups state that Bonneville has, in the draft Policy, provided what they refer to as a "clear articulation of the rights of preference customers to the environmental attributes of the federal system." POC-044-Big-Bend; POC-012-Grant; POC-014-Cowlitz; POC-029-PPC; POC-031-NRU; POC-033-Snohomish; POC-007-Modern. After characterizing Bonneville's position, these commenters stated that they agree with it. For example, EWEB stated that it "agrees with BPA's affirmation that preference includes the environmental attributes of the federal system . . . and we thank BPA for clearly articulating these rights in their Draft Policy." POC-044-EWEB. Similarly, Grant commented that it "supports BPA's articulation of the rights of preference customers to the environmental attributes of the FBS." POC-012-Grant.

Cowlitz appeared to understand Bonneville has not made such a statement, but it asked Bonneville to do so: "now is the time for BPA to make a clear statement of why public entities and cooperatives have a preference and priority to the environmental attributes of BPA's federal generation." POC-014-Cowlitz.

Other commenters appeared to believe Bonneville has signaled the opposite. For example, OPALCO and PNGC took issue with the Section 7.1.1 of the draft Policy, stating that it was "alarming from a BPA customer perspective." OPALCO and PNGC stated it "is unacceptable for BPA to retain any RECs" and "[w]e firmly assert that all RECs associated with the FCRPS in its entirety belong to its preference customers." Thus, OPALCO and PNGC appeared to believe Bonneville has indicated there is no preference right, at least with regard to RECs. POC-013-OPALCO; POC-046-PNGC.

NRU made a general assertion that "preference applies not only to the output of the FBS, but also to the capacity and environmental attributes therefrom." POC-031-NRU. PPC stated that preference equates to "first right of access to [FBS] resources at cost, which Public Power views as a fully bundled power product with first in right entitlement to all the energy, capacity, and environmental attributes (e.g., Renewable Energy Credits and low carbon attributes) of such resources." PPC also stated "[t]he post-2028 contracts must fully address this preference right . . .." POC-029-PPC.

Lastly, WPAG and Cowlitz raised a related issue regarding preference and Bonneville's potential treatment of environmental attributes with regard to IOUs. They stated that they "do not support, and would strongly object to, any post-2028 allocation of power and/or environmental attributes from the federal system to the investor-owned utilities." POC-045-WPAG; POC-014-Cowlitz. WPAG continued, "[a]ll indications at this time are that all firm power from the federal system and associated environmental attributes will be needed to meet the net requirements of preference customers during the Provider of Choice contract timeframe." WPAG believed that, under such circumstances, allocating a portion of the power and/or environmental attributes of the federal system to the IOUs "would be a clear violation of preference rights under the Bonneville Project Act §§ 4 and 5 as well as NWPA §§ 5(a) and 10(c)." POC-045-WPAG.

Evaluation and Decision

I. Bonneville's Policy is unchanged

To avoid uncertainty, Bonneville wishes to emphasize that nothing in this ROD or the final Policy changes what Bonneville proposed in the draft Policy on this issue. Namely, Bonneville's approach will still be to convey the environmental attributes of the power sold, including emissions and any RECs, commensurate with the physical sales associated with a customer's firm power purchase amount and rate elections. As explained in Issue 128, this approach is reasonable and was widely supported by commenters. *See*, *e.g.*, POC-045-WPAG, at 24. "[W]e reemphasize our support of the policies expressed in Draft Policy 7.1, which affirm that the environmental attributes . . . will be conveyed 'commensurate with a customer's firm power purchase amount and rate elections.'"; POC-033-Snohomish, at 5 "Snohomish believes that allocating RECs based on actual power purchased best fits customer needs and is the most effective allocation framework for meeting state compliance requirements."; POC-028-NWEC-Group, at 6 "We think it is appropriate for BPA to convey RECs to customers based on the actual amount of power purchased under Provider of Choice."

Bonneville remains committed to assisting customers with their efforts to comply with state renewable energy and greenhouse gas reduction programs. Bonneville is adopting in the final Policy numerous proposals, such as emissions accounting (Section 7.1.2), rate treatment (Section 7.1.1), and REC transfer to third parties (Section 7.1.1) that are intended to aid those customers that must meet state and local compliance requirements. Consistent with those actions, the discussion below clarifies the basis for Bonneville's decision.

II. Environmental attributes are varying, state-defined concepts

As a foundation for this issue, it is important to understand that the concept of "environmental attributes" has varying definitions and understandings, primarily driven by what must be demonstrated to meet individual state programs applicable to retail utilities. There is no standard definition across states, or even programs within the same state (and there is no federal statute or regulation governing Bonneville's treatment of these concepts), and the state programs and definitions continue to evolve.[44] Therefore this discussion will use the term "environmental attributes" in a general sense.

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[44] These points are well illustrated by a recent order from the Oregon Public Utility Commission. *See Investigation Into House Bill 2021 Implementation Issues*, OPUC Docket No. UM 2273, Order No. 24-002 (Jan. 5, 2024). The order discusses various Oregon laws "relating broadly to the sources and environmental content of electricity" and notes that the interaction of these laws can create "a complex question in Oregon and across jurisdictions." *Id*. at 5, 8. The order also recognizes that "state legislatures and agencies adopt varied approaches to define the bounds of the regulations they are creating. In a regional electricity system in which utilities and electricity service suppliers generate electricity, make market purchases and sales from a broad geographic footprint, and serve load in

The oldest and most commonly thought-of environmental attribute is a REC, a concept which emerged in the late 1990's to early 2000's. A REC is generally used as a compliance instrument for a state's renewable portfolio standard (RPS). In this context, it is a "certificate" demonstrating that one megawatt of power was generated by a source that the state defined as "renewable" (such as wind, or solar).

In comparison, a state cap-and-trade program (or cap-and-invest) is largely only concerned with the emissions attributes of whatever generator created the power. Thus, for cap-and-trade purposes, a generator like hydro or nuclear—which would not typically be defined as "renewable" under a state's RPS—is nonetheless carbon free. The "environmental attribute" of the energy is the simple fact that it was generated by a resource that did not emit greenhouse gases. Compliance with the cap-and-trade program is demonstrated by reporting of the generation sources for electricity.[45] Accordingly, these programs do not care if a REC was created for the same power and that REC has been separated, sold, and used for compliance with another state's RPS program.

The concept of these two systems changed significantly in 2019 with the passage of Washington's CETA. CETA is unique in that it will not consider a renewable resource to be "carbon free" if there is not a REC bundled with the power, and CETA defines renewable resources to include existing hydro (this is an expansion from the resources that were typically defined as renewable by states' RPSs). Thus CETA expanded the need to create RECs to cover all existing hydro, otherwise CETA would not recognize hydro as "carbon free." CETA requires that all environmental attributes be kept together; a REC may not be used for compliance if the underlying power and associated emissions are claimed for another state program. Accordingly,

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multiple states, states must develop mechanisms to identify the electricity subject to their emissions regulatory programs." *Id*. at 14.

Similarly, commenter the NWEC Group (joined by various environmental groups and NGOs) recognized the varied and evolving nature of state programs and definitions, stating that Bonneville's proposal "will also provide more transparency in accounting and is more likely to align with regional carbon and clean energy policy as it evolves during the contract term." (POC-028-NWEC-Group, at 6); *see also* Deborah Kapiloff *et al.*, Greenhouse Gas Accounting Systems in Wholesale Regional Electricity Markets: Considerations for the Western Interconnection, W. Res. Advocates at 4 (Jan. 2022), available at https://westernresourceadvocates.org/wp-content/uploads/2022/01/2022_0119_GHG_Accounting_-Regional-Markets_f.pdf ("Today, there is no multi-state regional greenhouse gas accounting framework in the West. Instead . . . each individual state has its own regulations – or not. Some states have established ambitious greenhouse gas reduction targets that include prescriptive policies for tracking compliance with climate goals, while others have no emission reduction goals or requirements. States also vary in how they regulate greenhouse gas emissions; some measure only those emissions produced in-state, while others also account for emissions associated with imported electricity or other out-of-state emission sources.").

[45] This is why Bonneville sells what states describe as "Asset Controlling Supplier (ACS) power" to certain counterparties for use in compliance with cap-and-trade programs. The ACS construct is derived from state cap-and-trade and GHG reporting programs' need to identify a specific resource and the emissions that are associated with the resource. In Bonneville's case, the specific resource is Bonneville's system of generators and the associated system-wide emissions rate (that states assign to Bonneville) is the "ACS emissions factor."

if the underlying power is claimed under another state's cap-and-trade program then the REC cannot be used to demonstrate use of carbon-free power under CETA. So, from the viewpoint of CETA, a REC is no longer just a *type* of environmental attribute (signifying energy from a state-defined "renewable" resource under an RPS), instead the REC itself *contains* all the environmental attributes—meaning it is the embodiment of the carbon-free emissions characteristics of the underlying energy, as well as the "renewable" nature of the generator that created the energy. Notably, to date only Washington's CETA contemplates a REC in this manner. Other states, such as California, recognize that hydro is carbon-free without having to create RECs to make it so.

The draft Policy did not address the application of the Bonneville Project Act's preference clause regarding any of these state-law-derived concepts of environmental attributes. Bonneville stated in the draft Policy that it would convey the environmental attributes of the power sold, including emissions and any RECs, commensurate with a customer's firm power purchase amount and rate elections. Many of the commenters appear to read more into Bonneville's proposal, asserting that Bonneville has "clearly articulated" that statutory preference applies to environmental attributes. *See, e.g.*, POC-044-EWEB: "EWEB agrees with BPA's affirmation that preference includes the environmental attributes of the federal system . . . and we thank BPA for clearly articulating these rights in their Draft Policy." Other commenters acknowledge that Bonneville has not made such a statement but they suggest "now is the time" to do so. POC-014-Cowlitz. And others believe that Bonneville is disregarding preference. POC-013-OPALCO; POC-046-PNGC.

The commenters' varying understandings of preference, and their assertions that Bonneville has concluded (or should conclude) that preference applies, necessitate that Bonneville set forth its position on this issue. This will ensure parties do not misunderstand Bonneville's position when drafting the contracts,[46] and this will avoid confusion when discussing environmental attributes in other forums (such as day-ahead market discussions and residential exchange).

III. Preference is a statutory right of access to electric energy in specific situations

The comments on this issue describe preference as a broad, conceptual framework. For example, NRU asserts that "preference applies not only to the output of the FBS, but also to the capacity and environmental attributes therefrom." POC-031-NRU. Similarly, PPC states that preference equates to "first right of access to [FBS] resources at cost, which Public Power views

[46] For example, NRU's comment reflects the misunderstanding and shows how it could be a problem when drafting the contracts: "NRU appreciates the fact that Bonneville clearly articulates [a] preference customer right to the environmental attributes" and "NRU looks forward to working with Bonneville through the implementation and contract development phases to ensure the contract language documenting that conveyance is clear and unquestionable." (POC-031-NRU, at 43). Similarly, PPC states: "[t]he post-2028 contracts must fully address this preference right . . . ." (POC-029-PPC, at 2).

as a fully bundled power product with first in right entitlement to all the energy, capacity, and environmental attributes (*e.g.*, Renewable Energy Credits and low carbon attributes) of such resources." POC-029-PPC. However, none of the comments provide legal authority or analysis in support of these views.

As reflected in comments there are many points of view regarding preference and environmental attributes. Bonneville evaluated this issue and has concluded that it will convey the environmental attributes of the power sold, including emissions and any RECs, commensurate with a customer's firm power purchase amount and rate elections. However, the basis for this decision is not preference. There are several reasons why preference is not applicable.

First, the plain language of the preference clause of the Bonneville Project Act of 1937 states: "the administrator shall at all times, in disposing of *electric energy* generated at said project, give preference and priority to public bodies and cooperatives." 16 U.S.C. § 832c(a) (2022) (emphasis added). The Northwest Power Act of 1980 reaffirmed that preference applies to electric energy, aka power: "All *power* sales . . . shall be subject at all times to the preference and priority provisions of the Bonneville Project Act of 1937 . . .." 16 U.S.C. § 839c(a) (emphasis added); *see also* 16 U.S.C. § 839g(c) (2022) ("preference and priority in the sale of federally generated electric *power*." (emphasis added)). Accordingly, the plain language of preference applies only to "electric energy" or "power sales."[47]

To this end, no commenters assert that the draft Policy denies public customers preference to the electric power Bonneville intends to sell under its Provider of Choice contracts. *See Golden Nw. Aluminum, Inc. v. Bonneville Power Admin.*, 501 F.3d 1037, 1046 (9th Cir. 2007) ("There is no allegation here that BPA failed to provide the power necessary 'to meet the firm power load' of its preference customers." (quoting 16 U.S.C. § 839c(b)(1))). The statutory preference language does not require Bonneville to apply the concept of "preference" by extrapolation to intangible benefits created by states. States cannot alter federal rights or create new federal obligations on Bonneville's sale of power. Only Congress has that power. There is nothing in either the plain language of Bonneville's statutes or legislative history that indicate congressional intent to create an obligation to apply statutory preference to the varying, state-defined concepts of environmental attributes.

Second, preference applies only in specific situations. Namely, when there are competing applications for an allocation of a limited amount of electric energy between a public body and a private entity, Bonneville must give priority to the public body. 16 U.S.C. § 832c(b) (2022); *See also Aluminum Co. of Am. v. Cent. Lincoln People's Util. Dist.,* 467 U.S. 380, 393 (1984). There is nothing about this tie-breaking function that suggests Bonneville must convey environmental attributes.

[47] This includes capacity. *See* 16 U.S.C. § 839a(9).

Third, preference's role is not implicated here. There are no conflicting or competing applications for an allocation of electric energy, which would trigger the application of statutory preference to power. PPC's comment illustrates this point well. PPC states "[t]he post-2028 contracts must fully address this preference right by ensuring that BPA does not offer to sell any portion of the energy, capacity, and/or environmental attributes of the Federal system to non-preference customers before providing a timely and meaningful opportunity to its preference customers to exercise their preference rights." POC-029-PPC. PPC presents a hypothetical that *if* there were a competing application, the Administrator would need to give public customers a meaningful opportunity to exercise their preference rights before selling to others. However, because there is no competing application for power, there is no obligation on the Administrator to apply preference.

What is implicated here is section 5(b) of the Northwest Power Act. If public customers execute a Provider of Choice contract they are exercising their section 5(b) right to buy from Bonneville "whenever requested." 16 U.S.C. § 839c(b) (2022). Bonneville has determined, in the final Policy, that it will convey all the attributes commensurate with the physical sale of power. But it is not preference that is causing that outcome; rather, it is Bonneville's policy that if a customer takes physical power, then Bonneville will convey the intangible state-defined benefits along with it. In other words, it is the mere fact of the sale itself and Bonneville's willingness to agree in this final Policy that it will "convey the environmental attributes of the power sold . . . commensurate with a customer's firm power purchase amount . . .."

Fourth, preference is to supply; it does not speak to price. As the Ninth Circuit explained: "[we have] rejected the premise that preference customers were entitled to purchase not just available power, but the cheapest available power." *Golden Nw.*, 501 F.3d at 1046 (citing *Cent. Lincoln Peoples' Util. Dist. v. Johnson,* 735 F.2d 1101, 1125 (9th Cir. 1984) (quotation omitted)). The preference provisions "protect the preference customers' access to power supply; they do not speak directly to price." *Id*. By suggesting that preference entitles them to environmental attributes, the public customers are effectively arguing that preference protects price by requiring Bonneville to convey something that will lower their state regulatory compliance costs. Preference does not speak to price, so it cannot give them a right to receive a state-defined concept that would make the power more valuable to them.

For all these reasons, preference is not applicable to the intangible, varying, state-defined concepts of environmental attributes. Environmental attributes and RECs are recent concepts created under state laws, with differing definitions, which continue to change. These concepts were not contemplated at the time when preference was established.[48] And there is no federal law directing Bonneville's treatment of these concepts. Thus, Bonneville has discretion in this

[48] Certainly not when preference was first established in the Reclamation Act of 1906 nor in any subsequent federal statutes with a preference clause, including the Bonneville Project Act of 1937 and the Northwest Power Act of 1980. RECs emerged in the late 1990s to early 2000s, and the notion of environmental attributes (variously defined) came some years later.

area and it is reasonable, as a matter of policy, for Bonneville to conclude these non-power characteristics can accompany Bonneville's sales of power.[49]

IV. Preference does not entitle public customers to "all" RECs

As noted above, OPALCO's and PNGC's comments state that "it is unacceptable for BPA to retain any RECs" and "[w]e firmly assert that all RECs associated with the FCRPS in its entirety belong to its preference customers." POC-013-OPALCO; POC-046-PNGC. First, the discussion above explains why this assertion is wrong. Second, Bonneville has never given public customers "all" RECs. Prior to Regional Dialogue contracts, Bonneville sold RECs only to interested parties. Thus, there is no precedent or requirement that all RECs be conveyed to public customers. Lastly, if OPALCO and PNGC's argument were taken to its logical conclusion, then public customers would have preference to "all" RECs no matter how much power they bought, which would produce the absurd result that section 5(b) creates a right to buy only environmental attributes without *any* power. For these reasons, and those discussed above, the statutory preference to electric power is not implicated for environmental attributes, including RECs, and does not entitle public customers to "all" RECs.

V. Environmental attributes and Investor-Owned Utilities

The last issue is WPAG's and Cowlitz's comments state that they "do not support, and would strongly object to, any post-2028 allocation of power and/or environmental attributes from the federal system to the investor-owned utilities." POC-045-WPAG; POC-014-Cowlitz. WPAG takes the position that allocating a portion of the environmental attributes of the federal system to the IOUs "would be a clear violation of preference rights." POC-045-WPAG.

As discussed above, Bonneville has explained that preference does not apply to environmental attributes. Bonneville has also explained its decision that the environmental attributes associated with Bonneville's system will follow the physical sale of power. To the extent that WPAG and Cowlitz's comments are directed at the REP under Northwest Power Act section 5(c), those comments are outside the scope of the Provider of Choice process. Bonneville will determine how to implement the REP in the separate process that is underway for that program.

VI. Conclusion

The state-defined characteristics of the power that customers buy from Bonneville will flow to those customers commensurate with the physical amount of power they buy. Bonneville remains committed to assisting customers with their efforts to comply with state renewable energy and carbon programs, as reflected in the commitments throughout the Policy.

[49] Bonneville's public customers are not the sole and exclusive purchasers of the entire electrical generation produced by Bonneville's system.

Issue 130: Should Bonneville pursue the use of hourly RECs or energy attribute credits (EACs) at this time?

Policy Proposal

The draft Policy does not address the use of hourly RECs or EACs.

Public Comments

AWEC stated that EACs are becoming more sought after by corporate entities who focus on decarbonization rather than renewable fuels. Further, AWEC commented that hourly RECs and EACs are being developed "so that they can be used to match a customer's hourly consumption on a 24/7 basis." POC-050-AWEC. In addition, AWEC stated:

> Executive Order No. 14057 makes it mandatory for federal facilities to also acquire hourly matching 24/7 CFE [carbon free energy] for 50% of their energy use by 2030. Regardless of BPA's own obligations for its proprietary energy use, federal and corporate CFE is a critical mission that BPA should support, as a lack of CFE options will leave BPA customers unable to meet the needs of large customers or Federal Facilities located within their service territories, despite the existence of so much CFE being produced and consumed within the Region. POC-050-AWEC.

Evaluation and Decision

Bonneville intends to convey RECs annually through the Western Renewable Energy Generation Information System (WREGIS), or its successor. Currently, WREGIS does not support EACs or hourly RECs. Bonneville is a participant in WREGIS's ongoing hourly REC tracking discussions with the intention to understand the use cases for hourly tracking, discuss the benefits and drawbacks, and gain an understanding of industry needs. As a result, at this time, Bonneville is unable to convey EACs or hourly RECs.

Similarly, AWEC's statement on Executive Order No. 14057 is dependent on hourly attributes, which currently are not supported by WREGIS.

Issue 131: Should Bonneville allow customers to elect to transfer their Bonneville RECs to third parties or other customers?

Policy Proposal

In Section 7.1.1 of the draft Policy, Bonneville proposed in the draft Policy that a customer would be able to elect whether Bonneville transfers their RECs to them, to another customer, to a third-party-managed REC market account or to a Bonneville-managed subaccount.

Public Comments

The NWEC Group was concerned that if Bonneville allows customers to transfer RECs between each other, then utilities in Washington state could use those RECs to claim compliance with

CETA requirements starting January 1, 2030. The NWEC Group commented that this could have a chilling effect on renewable development. POC-028-NWEC-Group.

Evaluation and Decision

By allowing customers to elect whether Bonneville transfers their RECs to them, to another customer, to a third-party-managed REC market account or to a Bonneville-managed subaccount, Bonneville is merely performing an administrative function. This is not the "reallocation" concept that some customers had proposed earlier in the Provider of Choice policy development discussions. Bonneville is not changing the amount of RECs that would be bundled with a customer's power purchase. Instead, the customer would need to establish a stand-alone agreement with the third party to govern the sale, transfer, or management of the RECs they receive from Bonneville. Bonneville plays no part in that standalone transaction. Bonneville would merely be transferring RECs in the manner that customers have pre-arranged in their own separate transactions.

Also, as the NWEC Group notes, it is up to the WA Department of Commerce to determine whether such transfers would comply with CETA. Customers are free to buy and sell RECs regardless of what Bonneville does; there is nothing about Bonneville's action here that changes that. Bonneville would merely be transferring RECs in the manner that customers have separately arranged. Bonneville will retain in the final Policy the ability for customers to elect whether Bonneville transfers their RECs to them, to another customer, to a third party-managed REC market account or to a Bonneville-managed subaccount.

9. Long-term Cost-Management

Bonneville proposed that cost-management processes would not be formalized in the Provider of Choice Policy or contracts in Section 8 of the draft Policy. Bonneville remains committed to allowing for review and input on its projected costs so that customers continue to have ample opportunities to understand and provide input. Bonneville has also committed to providing periodic updates on its financial performance.

Issue 132: Should Bonneville formalize its commitment to cost management in the Policy?

Policy Proposal

Section 8 of the draft Policy proposed that Bonneville would continue to promote accountability, trustworthiness, and transparency to guide its projected costs so that customers continue to have ample opportunities to understand and provide input. While not legally required, Bonneville has established norms to provide the public access and transparency to Bonneville's financial information by establishing processes that provide the region the opportunity to review and comment on Bonneville's projected costs for the upcoming rate period. Bonneville offered public quarterly financial and business performance updates, which affords the public the opportunity to understand any variance from planned business performance. Bonneville intended to continue to evaluate financial health goals as part of its ongoing strategic and financial plans, which guide short-term financial goals for the agency.

Public Comments

Several commenters acknowledged Bonneville's track record in recent years on cost management, supporting the general direction in the draft Policy. POC-031-NRU; POC-029-PPC; POC-044-EWEB. NRU qualified this support by suggesting that laudable successes in this area relied upon informal practices contingent upon the specific commitment of Bonneville staff and leaders during the latter part of the Regional Dialogue contract period. POC-031-NRU. To build upon these informal successes, NRU and EWEB proposed formalizing cost management principles in the next contract. POC-031-NRU; POC-044-EWEB. PPC commented that they would like to see policies and practices memorialized that support investment in federal assets and its workforce. PPC stated it "hopes [their] comments make it clear that this is a collaborative rather than adversarial goal, which goes significantly beyond just minimizing costs," stating further that they "fully understand BPA's obligation to recover costs and [are] not interested in curtailing the Administrator's authority and discretion in fulfilling the agency's obligations." POC-029-PPC. Mason 1 and Mason 3 support PPC's comments. POC-061-Mason-1; POC-022-Mason-3.

Several commenters were neutral on the draft Policy position on cost control. POC-007-Modern; POC-020-Clatskanie; POC-022-Mason-3; POC-050-AWEC. Modern appreciated the ongoing commitment to accountability, trustworthiness and transparency with customers, but viewed the language as lacking specificity. POC-007-Modern. Clatskanie appreciated Bonneville's efforts at cost management but would like to see more improvement in areas related to capital project financing and reporting. POC-020-Clatskanie.

AWEC praised Bonneville's efforts at transparency and stakeholder engagement in the latter part of the Regional Dialogue period and recommended Bonneville should continue to provide that transparency. AWEC commented that new costs were introduced midstream that were not bargained for at the outset of the contract period. AWEC proposed this be addressed by getting parties to "agree to any risk-adjustment mechanisms during the contracting process, rather than adding major changes to the structure mid-stream." POC-050-AWEC.

WPAG did not support the proposed position on cost control. WPAG commented that Bonneville's long-term take-or-pay contracts place unforeseen cost risk unduly on preference customers who do not have direct recourse for cost management. WPAG also expressed concern over the informality of Bonneville's established processes and customers reliance on Bonneville's willingness to be responsive in the face of cost escalation challenges. WPAG proposed that Bonneville define specific cost management targets, including targets to reduce non-IPR costs, in the contracts themselves. Additionally, WPAG proposed that Bonneville introduce Cost Management Advisory Groups. POC-045-WPAG. Mason 1 and Mason 3 supported WPAG's comments. POC-061-Mason-1; POC-022-Mason-3.

Evaluation and Decision

Bonneville committed to ongoing and transparent cost-control processes through its public forums under Regional Dialogue, but did not agree to include any specific process that would be memorialized in contracts. Over the course of Regional Dialogue, this has allowed Bonneville to respond to changing conditions and allowed its approach to cost management to adapt. While Bonneville has long provided opportunities for the public to review forecasted costs for inclusion in its rates, such as in its Programs in Perspective process, Regional Dialogue ushered in a greater sharing of Bonneville's financial and cost information. Processes like the Integrated Program Review and Quarterly Business Review exist now and are open to public participation. Bonneville also collaborated with customers during the Financial Plan Refresh to discuss asset management maturity and metric enhancements. Bonneville remains committed to providing transparent cost control processes under Provider of Choice but will maintain the same flexibility to allow its processes to evolve.

Bonneville understands that commenters may see more security in describing cost management practices in contracts. However, the Administrator cannot offer and enter into contracts with terms that would limit his ability to incur costs that may arise through a variety of actions the Administrator may need to take – not only to meet Bonneville's firm power sales contractual obligations but also meet the agency's other statutory obligations and public purposes. Not only could this lead to a breach of the contract, it could invite violating a statutory obligation. Bonneville must retain the ability to adapt as needed and to ensure that cost management practices allow Bonneville to stay aligned with its strategic goals while adequately maintaining its systems for reliability. Bonneville plans to continue to leverage its strategic and financial plans to guide cost management through the Provider of Choice contract period.

Regarding the proposal to establish Cost Management Advisory Groups, Bonneville will not agree to a model of shared governance. The Administrator will retain authority over programmatic cost decisions. Customers will have the opportunity to provide feedback through the types of public processes described above. Customers also will be able to exercise control over their costs through their elections for power, such as their decision on how to serve Above-CHWM load.

Issue 133: Should Bonneville commit to a specific approach to financial risk policy in the Policy/ROD and 19-year contracts?

Policy Proposal

The draft Policy did not explicitly address Bonneville's financial risk policies. Section 8 of the draft Policy did state that Bonneville intends to continue to evaluate financial health goals as part of its ongoing strategic and financial plans, which help guide financial goals for the agency.

Public Comments

Commenters raised concerns over financial risk, seeking more specificity and formalization via contracts as to how Bonneville's financial policies would impact costs through the contract duration. POC-020-Clatskanie; POC-022-Mason-3; POC-031-NRU; POC-044-EWEB; POC-045-WPAG; POC-050-AWEC; POC-061-Mason-1.

Clatskanie requested Bonneville include language in the ROD clarifying that contracts include provisions that Bonneville "will directly assign to customers through a contractual mechanism, funds associated with better than expected financial outcomes." POC-020-Clatskanie. NRU proposed that Bonneville should make contractual commitments to use all future RDC distributions for either rate relief or FCRPS investment. POC-031-NRU.

AWEC suggested that any financial risk policy, adjustment or framework should be enshrined in contracts, on the presumption that changes to Bonneville's risk mitigation package constitute new costs not bargained for at the outset of the contract. POC-050-AWEC. WPAG favored moving policies and mechanisms associated with financial risk into the contracts. WPAG commented that doing so is necessary to ensure that Bonneville cannot favor its own financial interests at the expense of its customers. POC-045-WPAG. Mason 1 and Mason 3 supported the WPAG comments. POC-061-Mason-1; POC-022-Mason-3.

Evaluation and Decision

Bonneville recognizes that financial risk is a central aspect of cost management concerns for its customers. Bonneville also recognizes that managing financial risk is an important factor in ensuring its long-term financial health, which is why long-term financial health remains a cornerstone of its 2024-2028 Strategic Plan. Commenters ask for financial policies, adjustments or frameworks to be enshrined in long-term contracts. Bonneville does not believe that creating contractual provisions is the best solution.

Bonneville understands there is a benefit to balancing flexibility and predictability, and believes its current approach strikes a reasonable balance. Bonneville has not included financial risk policies in its long-term contracts. The agency has adopted financial policies to guide its risk mitigation decisions. Bonneville considered, responded to, and incorporated aspects of extensive customer input in developing these policies. Prior to these policies, Bonneville could adopt a new risk mitigation package each rate period. These policies provide more certainty—for Bonneville and its customers.

However, contractual provisions would unduly limit Bonneville's flexibility to manage liquidity, which undermines its commitment to long-term financial health. The agency needs to retain the ability to have a flexible and holistic approach to financial risk. As a recent example, Bonneville's Leverage Policy did not operate as expected. Bonneville moved away from the unsustainable practice of nearly 100% debt financing of its capital investment by establishing the Sustainable Capital Financing Policy and sunsetting the Leverage Policy. Bonneville should not contractually prohibit itself from aligning with the standard business practice of "plan, do, check, and adjust." Having clear financial policies that are outside of individual customer contracts, and that may be refined or changed through public processes, provides an appropriate level of cost certainty for customers while remaining flexible to correct errors and adapt to changing circumstances.

WPAG suggests that Bonneville's current approach to financial risk is motivated by a desire to "improve its own financial condition," at the expense of preference customers. This is a mischaracterization of Bonneville's policies and how Bonneville views its intention for implementing those policies. Bonneville does not experience financial conditions that are independent of its customers. Bonneville has no profit motivation; all revenues are applied to cover its costs. Instead, Bonneville's financial policies reflect that it must make decisions that balance short-term and long-term benefits. Customers may disagree with Bonneville's business decisions on how to balance short- and long-term benefits. However, prioritizing the short-term could set up Bonneville and its customers for a painful future. Conversely, appropriately managing financial reserves for risk ensures Bonneville has the liquidity to meet cost and revenue risk with greater rate stability and remains resilient through an uncertain future. Sustainable capital financing decisions support financial flexibility and reduce overall costs through avoided interest expense.

While Bonneville declines to commit to locking down its Financial Plan, or any financial policies, within contracts, it does commit to undergo an appropriate public process should Bonneville determine a need to propose changes during the contract period.

Issue 134: Should Bonneville create a contract off-ramp tied to costs?

Policy Proposal

The draft Policy did not propose provisions for cost-based off-ramps. Section 11.4 proposed that Provider of Choice contracts would include take-or-pay provisions in the contract to ensure that cost shifts between customers are minimized while providing assurances that Bonneville will be able to meet its repayment obligations to the U.S. Treasury.

Public Comments

WPAG commented that Bonneville should include in its Provider of Choice contracts provisions for cost-based off-ramps. Specifically, WPAG stated that the off-ramp should be based upon rate exceedance benchmarks and requirements that Bonneville match rate period rate increases with subsequent cost reductions, *pari passu*. WPAG argued that contractual cost-based off-ramps are necessary to ensure that Bonneville controls its costs, stating that Bonneville is generally not perceptive to the "risk to its business interests" of cost increases and that "it takes at least three two-year rate periods of constantly badgering BPA about cost control" before it takes cost control seriously. POC-045-WPAG.

WPAG recognized Bonneville's concerns over the risks that cost-based off-ramps pose to long-term rate stability and the ability for it to repay its obligations. However, WPAG commented that Bonneville can mitigate the risks that cost-based off-ramps pose by proactively controlling its costs, arguing that their proposed approach places the risk consequences following cost impacts solely on Bonneville. Finally, WPAG outlined three methods that Bonneville may employ to mitigate the risk of the proposed off-ramp: 1) additional cost control actions, 2) redistribution of CHWM entitlements to other customers, and 3) use of "make-whole" payments for customers exercising the off-ramp. POC-045-WPAG.

Evaluation and Decision

One of the tenets of tiered rates that is key to the Provider of Choice process is to minimize cost shifts between customers. WPAG's proposal for cost-based off-ramps risks introduces a dynamic that threatens to undermine this principle. Bonneville is not amenable to such off-ramps and understands, through experiencing market deregulation and competition in the wholesale power market, the risk such offramps pose. For example, allowing exit from a long-term contract creates a strategic incentive to anticipate the timing of other customer decisions to do the same, thereby incentivizing early exit to avoid the rate pressure associated with a declining cost recovery base. Moreover, WPAG fails to demonstrate how its proposed mitigating factors can protect Bonneville's customers who cannot or choose not to exit in the face of a contract exit dynamic.

Bonneville recognizes that cost management and rate stability are primary concerns for its customers. Bonneville also recognizes that these factors affect its long-term financial health, which remains a critical element of its 2024-2028 Strategic Plan. However, Bonneville does not experience financial conditions that are independent of its customers. Bonneville must maintain the ability to manage costs for the benefit of all customers, and allowing for individual off-ramps would result in cost shifts to other customers.

Finally, WPAG's proposal to match rate period rate increases with subsequent cost reductions assumes that Bonneville's current revenue requirement is appropriately sized for all future circumstances. The agency must retain the ability to incur costs consistent with its statutory mission, and to set rates to recover its costs consistent with its statutory obligations. Bonneville will not include contractual provisions that undermine these fundamental obligations.

10. Conservation

Section 9 of the draft Policy discussed Bonneville's conservation program. Bonneville recognized that the conservation program was outside of the scope of the Policy and contracts. Nevertheless, Bonneville acknowledged it is important for customers to understand how the program will function during the next contract period and therefore provided a high-level overview of the program it intends to offer.

Issue 135: Should Bonneville modify its energy conservation program?

Policy Proposal

In Section 9 of the draft Policy, Bonneville proposed to substantially maintain its approach to conservation acquisition used during the Regional Dialogue period while also noting it is open to incremental or evolutionary changes to improve program performance. The draft policy stated that Bonneville intends to work with customers and stakeholders in a public process to discuss potential program changes to its energy efficiency program prior to October 1, 2028.

Public Comments

Several commenters supported Bonneville's draft Policy proposal to maintain existing conservation policies and consider improvements. Many commenters generally acknowledged that the existing energy conservation program has been successful in its goals while also identifying specific areas for improvement. POC-050-AWEC; POC-045-WPAG; POC-022-Mason-3; POC-020-Clatskanie; POC-053-Yakama-Nation. Seattle requested Bonneville not make any changes to how Bonneville allocates Energy Efficiency Incentive (EEI) funds. POC-039-Seattle. AWEC supported Bonneville's current conservation acquisition policies, and suggested customer-funded and directed conservation should be prioritized where possible. POC-050-AWEC.

Clatskanie stated the future process should address the role of electrification in conservation efforts and timeline constraints for large industrial loads. POC-020-Clatskanie. The Yakama Nation similarly recommended that Bonneville fund comprehensive programs to improve energy management in the commercial and industrial sectors. The Yakama Nation stated that energy efficiency is the most salmon-friendly resource and can benefit low-income populations. The Yakama Nation recommended Bonneville expand its weatherization programs, giving priority to tribal communities, and commented Bonneville "should develop strategies that reward users for reductions in peak load usage and support the acquisition of technology the reduces peak loads . . .." POC-053-Yakama-Nation.

Several commenters encouraged Bonneville to be open to potentially significant changes to its conservation program. POC-028-NWEC-Group; POC-025-Council; POC-011-Central-Lincoln; POC-031-NRU.

The NWEC Group argued Bonneville should renew its commitment to conservation under the Policy. The NWEC Group strongly recommended that Bonneville commit to a special Provider of Choice workshop on conservation provisions in the near future, with a commitment to increase the conservation commitments from all customers under Provider of Choice and ensure fair compensation for self-funded conservation. POC-028-NWEC-Group.

The Council suggested that Bonneville should consider alternative approaches for defining equity for the program. POC-025-Council. The NWEC Group urged Bonneville to examine its processes and outcomes using an equity lens. POC-028-NWEC-Group.

Central Lincoln was disappointed that Bonneville will continue its current approach, but looks forward to engaging in the upcoming public process. Central Lincoln argued the current approach is administratively burdensome, not feasible for many utilities, and can feel like a transfer of a smaller rural utility's funds to large metro area utilities. (POC-011-Central-Lincoln). NRU also noted the current approach's constraints on small and rural utilities. NRU stated it would work with Bonneville to ensure the optionality and flexibility necessary to avoid customers often being unable to utilize their allocated funds in a given rate period, and avoid a paradigm portrayed as a transfer of ratepayer dollars from utilities with flat and declining loads to those with considerable load growth. POC-031-NRU.

Finally, several commenters noted that Bonneville should expedite a public process to ensure sufficient time to discuss any necessary changes. POC-031-NRU; POC-022-Mason-3; POC-028-NWEC-Group.

Evaluation and Decision

Bonneville intends to continue its current approach to acquiring conservation. Specifically, the agency intends to continue its contractual approach to acquiring energy efficiency conservation savings from power customers by establishing implementation budgets based on a customer's share of PF Tier 1 load. However, Bonneville will be open to input on program refinements that may allow more efficient, effective or equitable implementation of its conservation program. Bonneville appreciates commenters identifying these issues for future consideration in the conservation policy forum.

Issue 136: Should Bonneville commit to offer EEI funding reimbursement for utility scale batteries, demand response, and other demand-side management strategies?

Policy Proposal

In Section 9 of the draft Policy, Bonneville proposed to substantively maintain its approach to conservation acquisition used during the Regional Dialogue contract period while also noting it is open to incremental or evolutionary changes to improve program performance.

Public Comments

WPAG recommended utility scale battery storage be eligible for EEI funding post-2028 and requested that Bonneville commit to implementing its proposal during the separate public process for conservation. POC-045-WPAG. Mason 3 noted Bonneville should consider how demand-side management and capacity reduction options should be incentivized within its conservation program POC-022-Mason-3. NRU noted its interest in the inclusion of demand-side management and capacity conservation options. POC-031-NRU. The Yakama Nation commented that Bonneville "should implement incentive programs to expand the use of on-site batteries." POC-053-Yakama-Nation.

Evaluation and Decision

Bonneville understands demand-side management and battery storage may emerge as valuable tools for both Bonneville and its customers. However, demand-side management does not amount to energy consumption, may result in curtailments, and may not reduce net energy consumption; therefore, it does not qualify as "conservation" under the Northwest Power Act. S. Rep. No. 96-272 at 21 (1979); *see also* 16 U.S.C. § 839a(17) (2022) ("Reserves" definition). As such, Bonneville will not commit to include batteries, demand response, or other demand-side management strategies as eligible measures under the ECAs it holds with its customers.

WPAG argues that batteries should be considered "conservation" under the Northwest Power Act. WPAG notes that "conservation" is defined to include "any reduction in electric power consumption as a result of increases in the efficiency of energy use," and "electric power" is defined to mean "electric peaking capacity, or electric energy, or both." Thus, WPAG argues, a battery shifting a customer's consumption of energy from periods of peak demand to off-peak periods would result in a reduction of the customer's consumption of electric peaking capacity from an increase in the efficiency of energy use, and therefore qualify as "conservation." POC-45-WPAG.

It is far from clear that Congress intended "conservation" to include shifting demand from peak periods without long-term reductions in demand. *See* S. Rep. No. 96-272 at 21 (1979).[50] The Northwest Power Act section 3(19) definition of "resource" is contextual evidence of legislative intent that conservation result in load reduction.[51] It is not clear that replacing peaking capacity from Bonneville's resources with a customer-owned battery should be considered a "reduction in electric power consumption." Nor is it clear that such a reduction would be as the result of an efficiency of energy use because battery charges and discharges result in the same amount of overall energy use. Indeed, given that no battery is 100% efficient and will incur losses, battery use will result in higher overall amounts of energy used.

Further, batteries do not appear to fall within the meaning of "resource" as defined in the Northwest Power Act. Bonneville acquires cost-effective conservation as a resource under the ECAs. The term "resource" is defined as either "electric power, including the actual or planned

[50] "This definition is intended to distinguish 'conservation,' as the term is used in the act, from curtailments of power consumption that do not involve long-term reductions in demand or increased efficiency, and from renewable resources (e.g., solar panel water heating systems) that reduce consumption through direct application."

[51] "Resource" means—

(A) electric power, including the actual or planned electric power capability of generating facilities, or
(B) actual or planned load reduction, resulting from direct application of a renewable energy resource by a consumer, or from a conservation measure.

16 U.S.C. § 839a(19) (2022).

electric power capability of generating facilities," or "actual or planned load reduction resulting from direct application of a renewable energy resource by a consumer, or from a conservation measure." 16 U.S.C. § 839a(19) (2022). A battery is not a generating facility, but rather a receptacle for storing electrical energy that has already been produced by a generating facility, which can later be used to serve load at optimal times.

However, even if battery storage could be considered "conservation" and a "resource" under the Northwest Power Act, there are policy and practical reasons to not include such tools in the IM to be acquired as a cost-effective resource alongside currently offered conservation measures. Using the ECA construct could create unnecessary hurdles and unintended consequences. For example, interpreting the above terms as they apply to Bonneville affords more flexibility and discretion to procure and deploy batteries to bolster reliability in managing both the transmission and power systems. In contrast, acquiring batteries as a "resource" would implicate Northwest Power Act section 6 resource acquisition requirements, including (1) that Bonneville not own the battery itself, and (2) that the resource be "cost-effective."

Bonneville is not authorized to own generating facilities, but contractually may acquire the output as a resource. Under the ECA, Bonneville acquires the conservation (energy savings) that result from cost-effective measures; it does not acquire the measures themselves. Under the ECA construct, Bonneville would not operate the battery in concert with the FCRPS. This lack of coordination would severely limit the battery's potential value across Bonneville and its customers. Unlike load-reducing conservation, which provides value whenever the measure is implemented in the service territory of a Bonneville customer, a battery requires more strategic deployment. A battery's ability to provide value in lowering a capacity need would depend on the load shape where it is being deployed, the duration of the battery, whether Bonneville is capacity constrained, and whether Bonneville is able to coordinate the battery's operation. Indeed, a battery that potentially charged at peak hours would increase Bonneville's capacity need. If the agency were to acquire battery output as a "resource" without operational control, it would limit a battery's value.

Further, if Bonneville were to acquire a battery as a "resource," it would also need to be "cost-effective." 16 U.S.C. § 839a(4) (2022). This requirement prioritizes conservation over all other resources, rather than allowing Bonneville to make business decisions such as using batteries to meet specific needs. The definition of "cost-effective" also requires the resource be "reliable and available within the time it is needed." *Id.* §3(4)(A)(i). There is no guarantee that a customer integrating a battery with the grid, without operational control to coordinate with the FCRPS, would be cost-effective or reliable and available within the time it is needed. For these reasons, Bonneville's current ECA construct would not allow for strategic deployment of batteries. Bonneville acquires the conservation resulting from measures in the IM regardless of location when the measure is implemented in a customer's service territory. Bonneville's approach focuses on load reduction and is not based on an approach requiring the factintensive inquiry that would be appropriate to determine whether a battery in a specific location would be cost-effective or otherwise provide value.

Bonneville acquiring batteries under the ECA would also raise issues of cost functionalization and allocation. Depending on how the battery may be used, the costs may be more appropriately functionalized to power or transmission rates. Under the ECA, the cost of acquiring conservation is recovered by power rates from all customers. Such treatment may be less reasonable if an individual customer is the primary beneficiary of a battery's benefits or if the battery mitigates transmission constraints as a primary benefit.

Further, as a policy matter, Bonneville is concerned that investing in these technologies under the ECA construct could divert attention from or otherwise jeopardize its longstanding and successful conservation acquisition efforts. Bonneville's conservation acquisition budget is set at the level needed to achieve our targeted levels of conservation. If Bonneville allowed EEI funds to be applied to other purposes, it could risk its ability to acquire the conservation it has forecast as necessary to meet Bonneville's load obligation. Combining capacity acquisition and conservation under the same construct could result in lower overall levels of load-reducing conservation and increased capacity-related acquisitions. Bonneville acquires conservation to meet its obligation to provide a low-cost, low-risk system for its PF customers. Any fundamental restructuring of Bonneville's investments would need to come with an understanding of the risk and benefit such a change would provide Bonneville and its customers.

Bonneville has discretion over which conservation measures it is willing to acquire, even if a tool meets the Northwest Power Act definitions of "conservation" and "resource." Given the uncertainty of a battery's status as "conservation" and "resource," and the practical policy considerations outlined above, Bonneville will not commit to include batteries as measures in the IM. Bonneville's current approach of choosing not to include batteries and demand response in the IM does not prevent Bonneville from considering how it could best make use of these technologies. Indeed, Bonneville not treating batteries as resources allows for greater flexibility in acquiring and utilizing these tools. The agency has broad authorities and batteries could play a role in Bonneville meeting its statutory obligations. Bonneville may make use of these tools under other constructs and authorities. The Provider of Choice Policy and this ROD do not address whether Bonneville could use a battery for transmission purposes. Bonneville will maintain its draft Policy position of continuing the current conservation paradigm and not acknowledging batteries as eligible conservation resources.

11. Residential Exchange Program

Section 10 of the draft Policy recognizes an important post-2028 consideration is the REP. The REP provides residential and farm retail ratepayers of Pacific Northwest utilities with high-cost utility resources (public power and investor-owned) access to the cost benefits of low-cost Bonneville power through a power "exchange." While implementation of the REP for the post-

2028 period is outside the scope of the Policy, Bonneville proposed a provision whereby PF customers would waive their participation in the REP for the Provider of Choice contract period.

Issue 137: Should Bonneville require power customers to waive their section 5(c) right to request participation in the REP?

Policy Proposal

Bonneville proposed in Section 10.1 of the draft Policy that customers waive their participation in the REP for the Provider of Choice contract period. Bonneville explained:

> Under Regional Dialogue and the TRM, PF customers agreed to a limited waiver of their participation in the REP. Specifically, PF customers were permitted to only receive REP payments from Bonneville for certain resources. The customers' limited waiver reduced the cost of the REP in the PF Tier 1 rates, preserving the value of the Tier 1 system, which was a foundational element of the TRM and the Regional Dialogue contracts. Bonneville intends to expand upon that principle in the Provider of Choice contracts and include a provision whereby PF customers would waive their participation in the REP for the Provider of Choice contract period. This proposal will reduce the costs of the REP recovered in a PF Tier 1 rate as well as reduce the administrative burden and complexity of administering the REP.

Public Comments

NRU and AWEC agreed with Bonneville's proposal. POC-050-AWEC; POC-031-NRU. Snohomish commented that it "opposes a full waiver of participation in the REP, as well as any forced waiver that is not directly tied to the foundational elements of the Provider of Choice contracts." Snohomish also commented that Bonneville has provided very little justification, other than administrative convenience, for proposing an expanded waiver and any such waiver should be directly tied to the foundational elements of Provider of Choice contracts. Snohomish outlined two main concerns with a full waiver: (1) that reducing costs and administrative burden are insufficient justification to eliminate a statutory right and the same justification could be used to eliminate transfer service, IRD, and LDD, and (2) this sets a "dangerous precedent for BPA offering a product . . . only if the customer agrees to waive a statutory right unrelated to the foundation purposes of that product." Snohomish commented that Bonneville should let the REP come to its forecasted result and urged Bonneville to remove the draft Policy proposal for PF customers to waive their participation in the REP. POC-033-Snohomish.

Evaluation and Decision

Snohomish opposes Bonneville's proposal in the draft Policy requiring a complete waiver of participation in the REP as a condition of receiving a Provider of Choice contract for the post-2028 period. POC-033-Snohomish. For context, section 5(c) of the Northwest Power Act allows any regional utility to sell to Bonneville, through an exchange, an amount of power equal to its residential and small farm loads at the utility's average system cost of its resources. 16 U.S.C. § 839c(c)(1) (2022). In exchange, Bonneville sells the same amount of power back to the utility at Bonneville's PF exchange rate. *Id.*

As implemented, the exchange produces financial payments to exchanging utilities with higher cost resources that, per the Act, must be passed through in full to the utilities' residential and farm customers. *Id*. § 839c(c)(3). The costs of these payments are recovered from Bonneville's power rates, primarily the section 7(b) rate. The "exchange program is designed to provide rate relief for consumers served by IOUs" but is also available to public customers. *ALCOA v. Cent. Lincoln Peoples' Util. Dist.*, 467 U.S. at 398; House Comm. on Interior and Insular Affairs, H.R. Rep. No. 96-976, pt. 2, at 35 ("Although this exchange is technically available for use by any utility in the region, including preference utilities, it is anticipated that the region's investor-owned utilities will make primary use of it.").

Under the TRM, the cost of providing REP payments is included as a Tier 1 system cost and recovered from Tier 1 rates. *See* TRM, BP-12-A-03, at 134, Table 2.B. A central tenet of the Regional Dialogue tiered rate construct is to "reduce the dilution of the low-cost Federal system with new acquisitions." Regional Dialogue Policy at 15. This goal would be undermined if public customers could acquire new resources to serve their load growth, and then have these costs "flow back to the Tier 1 rate through the Residential Exchange Program[.]" *Id.* Thus, under the TRM and Regional Dialogue contract, PF customers agreed to a limited waiver of the REP and did not exchange with Bonneville the "cost of resources added after September 30, 2006." Regional Dialogue Contract ROD at 30. Under Regional Dialogue, REP costs for resources acquired by public customers "after September 30, 2006" were excluded from the Tier 1 rate. *Id.*

In Bonneville's experience, implementation of this principle proved complex. Calculation of REP payments requires inputs from three sources: the utility's average system cost (ASC), Bonneville's PF Exchange rate, and the utility's exchangeable load. The utility's ASC is determined by a methodology, referred to as the ASC Methodology. *See* 16 U.S.C. § 839c(c)(7) (2022). In order to limit REP costs to the loads and resources that existed by or before September 2006, Bonneville had to design the ASC Methodology (2008) with special provisions to ensure public customers would not be paid through the REP for new resource costs. Bonneville's initial attempt to do this in the draft ASC Methodology was deemed unworkable and resulted in a different approach adopted in the final ASC Methodology ROD. *See* 2008 ASC Methodology ROD at 85.[52]

The updated approach involved a seven-step process that achieved the principle described in the Regional Dialogue Contract ROD but did so without constraining the resources included in a

[52] The 2008 ASC Methodology ROD is available at https://www.bpa.gov/-/media/Aep/about/publications/records-of-decision/2008-rod/rod-20080630-final-2008-asc-methodology-rod.pdf.

public customer's ASC to the September 30, 2006 date. *Id.* at 86. Following publication of the 2008 ASC Methodology, Bonneville revised the language again, slightly, to conform to certain defined terms that were developed in the final TRM. *See* Bonneville Power Administration's Comments on the 2008 ASC Methodology, FERC Docket No. EF08-2011-000, Attachment 1 (R), at 33 (Nov. 10, 2008). This modified approach allowed new resource costs to flow into a public customer's ASC, and only removed those costs if the resources were used to serve Above-RHWM loads. The methodology was later added as a special amendment to the Residential Purchase and Sale Agreement developed for public customers. *See* Amendment of Contract High Water Mark Power Sales Contracts and Residential Purchase and Sale Agreements [RPSA] to Reflect Implementation of Tiered Rates Methodology ROD, at 1-3 (June 2009) ("RPSA Amendment ROD").[53]

Snohomish comments that Bonneville should retain the current "limited waiver" from the Regional Dialogue contract, which Snohomish contends is "a tailored approach that carefully balances statutory rights contained in the Northwest Power Act with the foundational elements of a tiered rates construct." POC-033-Snohomish. Snohomish argues that the draft Policy intends to "force" PF customers to completely waive their statutory rights to "reduce the costs of the REP" and "reduce the administrative burden." *Id.* Snohomish contends that neither reason "support[s] an action as drastic as elimination of a statutorily-required program." *Id.* Snohomish also argues that these waivers are not "directly tied to the foundational elements of tiered rates and the Provider of Choice contracts." *Id*.

Bonneville is not persuaded that it should include a "limited waiver" rather than a full waiver of the REP. First, Bonneville is not "forcing" Snohomish to waive any rights. Snohomish has a choice: if it wants to have a Provider of Choice contract, with its attendant benefits and options (including tiered rates), then it must agree to the terms of that contract, which include a waiver of its right to participate in the REP. If Snohomish does not wish to waive those rights, it may request an alternative contract that will retain its statutory right to participate in the REP. Snohomish has a choice, and Bonneville's policy does not "force" it to waive REP participation for Bonneville power.

Second, Bonneville's decision to expand upon the limited waiver from Regional Dialogue is not a drastic action that eliminates a statutory program. Rather, it is a logical step towards more fully meeting the foundational elements underlying tiered rates. Tiered rates are founded on three primary tenets described in the draft Policy:

1. Protect the value of the existing federal system from unbound acquisition costs;
2. Enable customer resource choice for meeting load growth; and

[53] The RPSA Amendment ROD is available at https://www.bpa.gov/-/media/Aep/about/publications/records-of-decision/2009-rod/20090708-contract-amendments-high-water-mark-residential-purchase.pdf.

3. Insulate customers from costs associated with other customers' resource choices.

Draft Policy § 2.2.

By requiring customers to waive their REP rights, Bonneville can more fully achieve the first and third tenets of tiered rates. The REP, at its core, is a Congressionally designed subsidy program for consumers of high-cost utilities. *See Cent. Elec. Coop., Inc. v. Bonneville Power Admin*., 835 F.2d 199, 200 (9th Cir. 1987) ("This program subsidizes the residential rates of IOUs and other utilities participating in the program."). Through the REP, PF customers with high-cost resources can place a portion of these costs onto other utilities through a PF Tier 1 rate. Bonneville does not see how permitting these costs furthers any of the goals of tiered rates. To the contrary, permitting the REP of PF customers to continue as a cost in the PF Tier 1 rates would erode the value of the Tier 1 federal system by allowing the acquisition cost decisions of PF utilities to be shared by other PF customers. By excluding these costs, Bonneville removes a cost pressure from the Tier 1 system that directly relates to the acquisition decisions made by public customers, thereby better meeting the first tenet of tiered rates.

Moreover, Bonneville's proposal fully achieves the third tenet of tiered rates – insulating customers from costs associated with other customers' resource choices. As Bonneville's experience shows, there is not a simple way to limit a customer's REP benefits to only a specific set of resources. Thus, under the current limited wavier, a customer's resource choices would continue to be exchangeable with Bonneville up until its load exceeds its CHWM. This means as a customer acquires new resources and makes resource choices, those costs would be – in part – paid for by all Bonneville customers. It is only if a customer's load exceeds its CHWM that costs of the REP associated with those Above-CHWM loads would be limited. Permitting public customers to participate in the REP – even in a limited fashion – weakens a fundamental tenet of tiered rates because it directly exposes all public customers to the resource choices of other customers. This tenet becomes further at risk when one considers the type of assets and resources customers are likely to invest in and develop to manage their future load growth during the Provider of Choice contract period – specifically conservation, demand-side management, batteries, and other capacity-based solutions. The heightened regional focus on capacity needs and costs is new relative to Regional Dialogue and, in and of itself, justifies a significant change from the limited waiver applied during that less capacity alert period.

For these reasons, Bonneville finds no support in the tiered rates tenets or the Policy goals or principles to support continuing participation of the REP under a tiered rate construct, even in the context of a limited waiver. In fact, with capacity resources and their costs being at the forefront of future resource needs, the only sure way Bonneville can support its tiered rates tenets would be through a total waiver. To preserve the value and objectives of tiered rates, Bonneville finds it reasonable to require a full waiver for REP participation.

Snohomish contends that the limited waiver was "crucially important to the overall success of the Regional Dialogue construct," and asserts Bonneville acknowledged in the draft Policy that the limited waiver "achieved its intended purpose of 'preserving the value of the Tier 1 system.'" POC-033-Snohomish. Snohomish misconstrues Bonneville's statement. In the Long-Term Regional Dialogue Policy, Bonneville acknowledged that "REP benefits for current customer resources may require a different treatment and could cause the customer to qualify for REP benefits during the period of the new contracts. This treatment is also crucially important to the overall success of the Regional Dialogue construct." Regional Dialogue Policy at 15. This was an accommodation and an exception to a general rule of excluding resource costs. Importantly, these resources were thought to be eventually phased out, as Bonneville ultimately adopted a date upon which all new resources would be excluded: September 30, 2006. As noted above, implementation issues made adhering to this date impossible, and Bonneville eventually developed a work-around that permitted all new resources to be exchanged, *provided* those resources were not associated with serving Above RHWM load.

Bonneville's work-around was only one of many factors the agency had to manage to implement a "partial" REP for public customers, which leads to Bonneville's administrative burden as another reason for including the waiver. The administrative burden is not trivial. All told, it took six iterations of describing the REP limited waiver before Bonneville was able to find a means of implementing the limited waiver: Regional Dialogue Policy ROD, Regional Dialogue Contract ROD, ASC Methodology Draft ROD, ASC Methodology Final ROD, BPA's filing with FERC, and RPSA Amendment ROD. Even then, as Bonneville was preparing to settle the REP in 2011, Bonneville again had to make special provisions in both ratemaking and in amendments to the publics' RPSAs to accommodate the partial REP waiver. Those provisions included developing a special "ratio" to calculate REP payments for public participants in the REP, and additional amendments to the publics' RPSAs. *See* Residential Exchange Program Settlement Agreement Proceeding (REP-12) Administrator's Final ROD, REP-12-A-02, at 379-384; *see also id.* at Appendix B. Even after the contracts and methodological issues were addressed, public ASCs required additional review and evaluation because they do not have to follow the FERC uniform system of accounts – the form that the ASC Methodology uses to build a utility's ASC for the IOUs.

Bonneville observes that this voluminous amount of work ultimately was used to ensure that only two public customers could participate in the REP under the limited waiver. One of those customers has since become ineligible for REP benefits, leaving only Snohomish as the current public customer participating in the REP.[54] Bonneville readily acknowledges that some of the decisions and amendments described above were caused by events that could not be predicted. Nevertheless, the lesson learned from the above narrative was that a limited REP waiver added complexity in every forum it was considered in, leaving Bonneville with the

[54] Snohomish's estimated REP benefits for FY 2024 are around $600,000.

administrative burden of figuring out how to accommodate the partial waiver of the REP rights of public customers.

While Bonneville agrees that administrative burden should not be the sole basis for requiring a waiver of REP rights, Bonneville finds it is a prudent consideration. The above discussion demonstrates the large administrative burden associated with a partial REP waiver. Moreover, Bonneville believes the language and concepts developed from the TRM, Regional Dialogue contracts, and RPSA on the limited REP waiver are not readily transferrable to the PRDM and Provider of Choice contracts, and therefore would require a significant amount of additional work be done to define the contours of a revised limited waiver.

For example, at the very least, the exchangeable costs would need to be further limited to address the types of assets and resources that customers may invest in to meet future load growth. Those limitations would have to address not only resource costs serving Above-CHWM load (the current work around), but also limitations on the type of resources acquired by the customer. Anticipating how new markets and resources may be used to serve a customer's loads – or prevent it from growing into Above-CHWM load – will mean Bonneville will not be able to rely on bright-line tests of resource costs or resources serving specific loads. As such, it is likely that as events unfold for the implementation of the PRDM, Provider of Choice contract, REP, ASC Methodology, and any potential settlement of the REP for the post-2028 period, Bonneville will need to develop additional exceptions, special provisions, amendments, and intricate formulas to effectuate a limited waiver of the REP.

Bonneville does not wish to repeat the past. If Snohomish wishes to participate in the REP, Bonneville stands ready to honor that request through a full participation model under a different power sales contract. In that regard, Bonneville sees much value in developing its REP contracts, the ASC Methodology, and any attendant settlement in a uniform manner for all REP participants, both IOU and public alike.

Snohomish contends that Bonneville's reasoning for requiring a total waiver for the REP also applies to other Bonneville programs, such as "transfer service, the irrigation rate discount, or the low-density discount" and asserts Bonneville "does not explain why it is only targeting PF customers who participate in the REP." POC-033-Snohomish. Bonneville does not agree that any of the areas identified by Snohomish are comparable to the REP. The IRD and LDD are much easier to administer as they do not require annual filings reviewed through a formal ASC-like process. Indeed, the LDD is statutorily required and Bonneville has offered irrigation rate assistance programs since the 1940s. Neither of these rate discounts subsidize the independent resource choices of a utility like the REP, and they do not undermine the purpose of tiered rates by allowing the costs of one customer's resource choices to be borne by other customers.

Transfer service is also an inapposite comparison. Transfer service is a contractual construct that recognizes the importance of delivering Bonneville power to a customer's load. The policy underpinnings of transfer service are aimed at creating parity between public customers directly connected to the federal transmission system and those that are not because it was more effective to purchase transmission than to build transmission to serve those customers. Thus, the thrust of transfer service is giving customers access to Bonneville power for load service, primarily general requirements load service. But for Bonneville's policy decisions on supporting transfer service – which serves roughly half of Bonneville's public customer base – many customers would not be able to receive Bonneville power without costly and redundant builds to connect such customers to Bonneville's transmission system. Even so, Bonneville is taking steps in the Policy to constrain transfer service costs in the PF Tier 1 rate. For one, Bonneville is retaining limits on how much transfer service will be supported for non-federal deliveries to Above-CHWM loads. *See* Policy § 6.2.3. Additionally, as explained in Issue 118, Bonneville is clarifying its treatment of transfer service costs for NLSLs and directly passing on those costs to the customer. Thus, even though transfer service is an important part for a customer's requirements load service, Bonneville has not created an open-ended commitment to provide this service at any cost.

The REP, in contrast, is designed to address the impacts on residential and small farm customer rates due to resource cost disparity between high-cost utilities and those that receive power from Bonneville: "One of the goals of the Act is to ensure that residential consumers served by Northwest IOUs have wholesale rate parity with residential consumers served by publicly owned utilities and public cooperatives, BPA's preference customers." *Pub. Util Comm'n of Or. v. Bonneville Power Admin*., 767 F.2d 622, 624 (9th Cir. 1985). Fundamentally, the REP is about cost mitigation, not load service. *See Cal. Energy Res. Comm'n v. Johnson,* 807 F.2d 1456, 1461 (9th Cir. 1986) ("Utilities that have offered power to BPA for exchange already have the power they need, and could not benefit from actual purchases of power from BPA even at a low rate.").

Snohomish already has access to the benefits of Bonneville-provided power as a public customer. Its decision to participate in the REP is, in effect, allowing it to gain additional benefits from other public customers because of its high-cost resource choices. While this is entirely permissible under the Northwest Power Act, it goes against the purpose and intent of tiered rates. In the context of the draft Policy, Bonneville will require a customer to choose: if a customer wants to participate in the tiered rates construct, it must waive its right to have its resource costs subsidized by other public customers through the REP, which all other public customers either agree with or do not oppose. If a customer wants to retain its right to participate in the REP, it can request a contract from Bonneville that does not provide the same benefits and options as is being offered to public customers willing to waive their REP rights.

Snohomish further argues that Bonneville's requirement for a waiver sets a "dangerous precedent of BPA offering a product to a customer only if the customer agrees to waive a statutory right that is unrelated to the foundational purposes of that product" and that if the customer waives those statutory rights now, "BPA could use the same rationale to force other customers to waive other statutory rights." POC-033-Snohomish.

As explained above, requiring a customer to waive its REP participation rights as a term of the contract is directly related to the foundational purposes of tiered rates. Allowing a customer to spread the costs of its resource choices among other public customers weakens two of the key tenets of the tiered rates construct, protecting the value of the existing federal system from unbound acquisition costs, and insulating customers from other customers' resource acquisition choices. Moreover, Bonneville has shown that implementing a limited REP construct has been difficult, causing Bonneville to develop formulas, exceptions, and complicated workarounds. These features make the waiver not a "dangerous precedent," but rather a logical step in preserving the value of the Tier 1 system, simplifying the implementation of the REP, and positioning Bonneville to be the supplier of choice for all public customers for the post-2028 period.

Bonneville will retain a requirement that customers waive their participation in the REP as a term of the Provider of Choice contract in the final Policy.

12. New Long-term Contract

Section 11 of the draft Policy described a few of the provisions Bonneville would include in the Provider of Choice contracts including contract duration, take-or-pay, and load information requirements. Bonneville would offer and execute contracts in late 2025 with power deliveries beginning on October 1, 2028.

Issue 138: Should Bonneville offer a "replacement required" off-ramp provision in the contract whereby customers would have the right to terminate their power sales contract if they find a replacement purchaser?

Policy Proposal

The draft Policy did not propose a "replacement required" off-ramp.

Public Comments

WPAG asked that Bonneville commit to working with customers to design a "replacement required off-ramp" as was proposed in Bonneville's July 2022 Provider of Choice Concept Paper. POC-045-WPAG.

Evaluation and Decision

In its July 2022 Concept Paper, Bonneville stated that while the legal, financial and logistical hurdles may prove prohibitive, it would consider an equitably designed "replacement required" off-ramp provision whereby customers would have the right to terminate their power sales contract without being subject to the take-or-pay provisions if they found other regional preference customers with firm power load that need power supply and are willing to increase their 5(b) power purchase obligation. While Bonneville is open to hearing more about the "replacement required" off-ramp concept, Bonneville reminds customers of the Section 24.3 of the Regional Dialogue contract which covers assignment of a customer's rights, duties, and obligations under the contract. As such it very well may operate in the same way as WPAG's proposed construct. As in the case of any assignment or "replacement" off-ramp, there are many issues that would need to be addressed. For example, Bonneville would need to evaluate the legal implications of this option including but not limited to how it comports with net requirements sales obligations. While a customer would facilitate seeking out an alternative buyer, the negotiation and contractual relationship would be between Bonneville and the alternative buyer(s). In addition, any replacement sales would require parameters addressing the characteristics of the power and transmission involved to ensure any replacement purchase does not result in cost shifts to Bonneville's other customers. During the policy implementation and contract development phase, Bonneville will engage in discussions with interested parties to explore a "replacement required" off-ramp.

Issue 139: Should Bonneville commit to developing alternative contracts or contract provisions for customers that do not want their load served by a day-ahead market?

Policy Proposal

In the draft Policy, Bonneville did not address alternative contracts or separate provisions for customers that do not agree to have load served by a day-ahead market. In prior Bonneville-hosted day-ahead market workshops, Bonneville proposed to include a provision in the Provider of Choice contracts that would allow Bonneville to serve customers through economized market dispatches. Ultimately, including such a provision would be predicated on Bonneville's decision to join a day-ahead market.

Public Comments

PPC and WPAG requested that Bonneville further discuss and clarify what customer contract options would be if customers do not want to be served through economized market dispatches and do not agree to Bonneville's proposed contractual language that would facilitate market participation. PPC and WPAG requested that Bonneville not leave these questions to the policy implementation and contract development phase workshops. POC-029-PPC; POC-045-WPAG. WPAG requested workshops starting in fall 2023, prior to the release of the final Policy and ROD to address topics such as what market features would be required to accommodate customers that do not wish to be served through the market. POC-045-WPAG.

Evaluation and Decision

WPAG and PPC request that Bonneville clarify its position on whether Bonneville would offer contractual options or alternative contracts for customers that do not want load served through a day ahead market. Fundamentally, Bonneville cannot establish a Provider of Choice policy direction on alternative contracts or contract provisions at this time because to do so would be pre-decisional. In a separate public process, Bonneville is weighing whether to enter a day-ahead market, and if so, which day-ahead market it would join. Bonneville anticipates publishing an initial policy leaning on day-ahead market participation in late spring 2024, and inviting formal public comment on its policy direction in late 2024 after additional analysis. In its day-ahead market public process, Bonneville explained that any final action regarding day-ahead market participation would require rate, tariff and contract decisions, and involve close coordination with the Provider of Choice product and contract developments.

Both PPC and WPAG request that Bonneville not leave these questions to the upcoming policy implementation and contract development phase workshops. PPC states that "[c]ustomers need to have a sense of how the products will work in the market, how that interaction will impact their business models, and the type of financial and operational exposure customers would experience under various market options." POC-029-PPC. Bonneville agrees that customers need to understand how products would work in a market context in order to understand and weigh the value of the products Bonneville offers. Bonneville believes that contract structure and optionality are implementation issues that cannot be considered until final decisions are made about Bonneville's potential participation. Bonneville will start discussing Provider of Choice policy implementation issues and contract language with stakeholders in workshops starting in April 2024. The details about product design, day-ahead market design, alternative contracts and contract options will be discussed and negotiated with customers and codified in contract templates well before Bonneville would offer contracts, currently planned for fall 2025.

It is worth noting that while Bonneville did not weigh alternative contract provisions or contracts specifically, Bonneville did host near monthly day-ahead market workshops from October 2023 through February 2024. In the workshops, the agency and stakeholders continued to engage in productive discussions and analysis on day-ahead markets including market design, options, benefits, challenges, statutory authorities, an overarching contract provision and more. Additionally, Bonneville hosted Provider of Choice workshops in September, November, and December of 2023 to begin discussions about how its proposed Provider of Choice planned products would work in a day-ahead market. Those conversations will continue as Bonneville transitions into the policy implementation and contract development phase.

While Bonneville commits to further discussion in the policy implementation and contract development workshops, at this time Bonneville does not believe that pursuing a market design carve out or alternative Provider of Choice contracts or contract provisions as discussed above are necessary if Bonneville were to make a decision to participate in a day-ahead market. Bonneville would continue to meet its statutory requirements and its contractual load service obligations under future contracts.

Issue 140: Should the duration of the Provider of Choice contracts be 19 years as proposed?

Policy Proposal

Section 11 and 11.1 of the draft Policy proposed 19-year Provider of Choice contracts, which would be executed in 2025 with an expiration date of September 30, 2044. The contract would include 16 years of power deliveries that would begin on October 1, 2028.

Public Comments

Mason 3 and WPAG commented that they support a 19-year contract that expires before Washington CETA's 100% carbon-free standard is effective in 2045. They note that the September 30, 2044, expiration will provide the time to enable changes necessary to meet this mandate and others, along with time to address section 5(b) resource removal "due to regulatory loss". POC-022-Mason-3; POC-045-WPAG. Specifically, WPAG expressed that, "[f]ixing the termination date before 2045. . . will help BPA and customers better manage and prepare for the CETA induced [section] 5(b) cliff by preventing any overlap between the term of the Provider of Choice contracts and the start of the 100% carbon-free mandate." POC-045-WPAG. Similarly, Benton REA supported the contract expiring in 2044. Benton REA caveated that if there are outstanding issues that remain to be resolved when Bonneville proposes to execute contracts in 2025, then the agency should either extend the execution date until all issues are resolved, which would effectively shorten the duration of the contracts, or provide customers an off-ramp for those issues that are unresolved. POC-009-Benton-REA.

WPAG and AWEC noted that the proposed 19-year term will provide Bonneville and customers with long-term certainty. POC-045-WPAG; POC-050-AWEC. AWEC added that the contract's 19-year term, including 16 years of power delivery, coupled with the take-or-pay provision, will provide Bonneville the ability to demonstrate strong financial health and maintain a high credit rating. However, AWEC expressed concerns that a 19-year contract is very long when considering the many potential unknown features. POC-050-AWEC. NRU commented that it had no objection to either the proposed 19-year duration of the contracts or the proposed 16 years of power deliveries. POC-031-NRU.

OPALCO and PNGC stated that while it will be useful to have the contracts expire in 2044 to address CETA concerns, they are "very concerned about how Bonneville will source power to serve customers at a PF Tier 1 rate for just one year if CGS is shut down in 2043." They suggested that if there is no current plan in place should CGS close in 2043, then it would be more prudent to end the contract in 2043. POC-013-OPALCO; POC-046-PNGC.

The Labor and Environmental Coalition do not support the contracts expiring in 2044 prior to CETA's 100% carbon-free standard becoming effective in 2045. They expressed that Bonneville customers will be denied a pathway to a 100% clean power product for the next 20 years. POC-016-Labor-Environmental.

The NWEC Group was concerned about the proposed contract execution date. As Provider of Choice decisions might be affected by Bonneville's ongoing evaluation of day-ahead markets, the NWEC Group proposed that Bonneville: (1) should consider slowing down both the day-ahead market and Provider of Choice processes and (2) offer a short extension of the existing Regional Dialogue contracts. They believed that this would allow for better consistency and optimization of the Provider of Choice contracts with the evolving markets. The NWEC Group further advocates that a shorter contract term would be prudent as they believe that there will be rapidly changing dynamics during the contract period, including reduced output from the hydro system. POC-028-NWEC-Group.

Evaluation and Decision

Bonneville continues to support a 19-year duration for the Provider of Choice contracts with 16 years of power deliveries.

Bonneville has 65 customers in Washington representing about 63% of its firm power sales. As Mason 3, WPAG and Benton REA state, with a 19-year contract expiring in 2044, CETA's 100% clean standard would fall under the next/subsequent power sales contracts. Bonneville anticipates that a future process to develop the next power sales policy and contracts would begin years before the end of the Provider of Choice contracts. This will give all parties additional time to understand and prepare for Washington state compliance efforts and future state and national policies.

In their comments, the Labor and Environmental Coalition voice concerns that a 2044 contract expiration creates an untenable situation for Bonneville customers, who will be "denied a pathway to 100% clean for the next 20 years and for states in the region who are depending on 100% clean electricity to meet aggressive economy-wide greenhouse gas limits." They state, "[w]hile this choice of contract term doesn't necessarily dictate that customers won't be able to comply with the [100% clean] standard, it doesn't provide the necessary assurances that they will be able to comply." POC-016-Labor-Environmental. As the Labor and Environmental Coalition note, Bonneville's contracts expiring in 2044 do not prevent customers from complying with their state decarbonization standards. The power Bonneville sells is currently about 95% carbon-free. Bonneville will, in meeting its power supply obligations, strive to complement the existing system by acquiring additional cost-effective, carbon-free resources in the future. However, it is not reasonable that Bonneville contractually agree that customers will be able to meet a 100% clean standard or any individual state law.

With respect to OPALCO's and PNGC's comment that contracts should expire in 2043 if there is no resource plan for addressing if CGS shuts down in 2043, Bonneville and customers should know whether CGS will be re-licensed well before 2043 or 2044. The NWEC Group also raised concerns about reduced output of the hydro system, suggesting a shorter contract term so that Bonneville can plan ahead for anticipated changes. Bonneville is committed to serving all contractual load obligations. In the event of changes to CGS output or changes in the federal system output, Bonneville would have time to plan for and acquire additional resources to meet its contractual obligations. Bonneville's long-term resource planning would account for any resource losses and subsequent resource acquisitions through its Resource Program and resource acquisition strategy.

The NWEC Group also suggests that contract execution be delayed and the term of the Regional Dialogue contracts be extended to allow time for Bonneville and the region to slow down to allow more clarity around day-ahead markets and Provider of Choice contracts. The NWEC Group comments that a "short extension of the existing contracts is a viable solution to ensure consistency and optimization with evolving markets." Bonneville cannot extend the term of the 20-year Regional Dialogue contracts because Bonneville is only authorized to enter into contracts for the sale of power, including amendments and renewals, for up to a maximum of 20 years. *See* 16 U.S.C. §832d(a) (2022). Bonneville will strive to work closely with customers and interested parties so that the Provider of Choice contracts and potential day-ahead market participation evolve in tandem.

Issue 141: Should Bonneville offer standardized contracts as proposed?

Policy Proposal

In Section 11.3 of the draft Policy, Bonneville proposed to develop and offer standardized contracts, with a standard template created for each product offered. The policy proposal also noted that because some customers have unique circumstances, individual contracts will continue to capture any necessary unique and special provisions.

Public Comments

WPAG commented that it "supported Bonneville's proposal to negotiate and develop standardized contracts templates for each product that include options for customer elections and opportunities to negotiate customer specific exhibits." POC-045-WPAG. NRU stated that it had no objection to standardized contracts, as proposed. POC-031-NRU.

PNGC and OPALCO expressed that the language in the draft Policy was confusing and contradictory as it stated that contract provisions will be identical for customers taking the same services, but then stated that individual contracts will continue to capture any necessary unique and special provisions. POC-046-PNGC; POC-013-OPALCO.

Evaluation and Decision

Bonneville clarified the language in the final Policy regarding standardized contract offerings. The contract provisions related to products and services in the contract will be as identical as possible for similarly situated customers. There will be optional provisions in the contract to accommodate customers' situations, such as whether they are served by transfer service, have new large single loads, or are a member of a joint operating entity. In addition, contracts may be individualized in limited circumstances to reflect unique and special provisions.

Issue 142: Should Bonneville include a take-or-pay obligation in the Provider of Choice contracts as proposed in the draft Policy?

Policy Proposal

In Section 11.4 of the draft Policy, Bonneville proposed to include a take-or-pay provision in the contracts to ensure that customers will pay for the amount of federal power that they are contractually obligated to purchase, whether they take receipt of such power or not.

Public Comments

Many commenters mentioned take-or-pay in the context of other issues such as cost management. With respect to the take-or-pay provision in the contract specifically, Bonneville received two comments. NRU stated that it had no objection to the inclusion of a take-or-pay provision as proposed. POC-031-NRU. AWEC stated that it "expects the take-or-pay relationship between BPA and its customers to continue." AWEC noted the firm nature of the take-or-pay obligation reduces borrowing costs, guarantees revenue, and supports financial health. AWEC recognized further that the take-or-pay construct is intended to provide certainty around both the delivery and acceptance obligation and price structure. AWEC coupled its support for the take-or-pay construct with concerns about cost management which are addressed in Section 9 of this ROD. POC-050-AWEC.

Evaluation and Decision

Under the Regional Dialogue contracts, the take-or-pay provision: (1) provides assurance to the U.S. Treasury that Bonneville will be able to meet its repayment obligations, and (2) minimizes cost shifts among customers as Bonneville recovers its costs through more certain power rates over the term of the agreement. As under Regional Dialogue, including a take-or-pay provision will be a cornerstone of and critical to the Provider of Choice contracts. The take-or-pay provisions will help demonstrate Bonneville's ability to meet its U.S. Treasury repayment obligations and serve to prevent cost shifts among customers. If some customers had the ability to offset their Bonneville power purchase obligation with no limits, it could create significant cost shifts as Bonneville would need to recover its costs from other customers purchasing power. Bonneville will maintain its draft Policy approach to include a take-or-pay provision to continue to provide assurance to the U.S. Treasury and to minimize cost shifts among customers.

Issue 143: Should Bonneville change its proposed approach to requiring load and resource information?

Policy Proposal

Bonneville proposed in Section 11.5 of the draft Policy to require specific loads and resources information to facilitate implementation of the contract.

Public Comments

Mason 3 acknowledged that the process Bonneville follows to obtain annual load and resource information from its customers has been enhanced under the Regional Dialogue contract, and is more efficient with information collected more widely shared between power and transmission business lines. Mason 3 encouraged Bonneville to continue to evolve its process to become even more efficient. POC-022-Mason-3. NRU and PPC commented that there is additional room for improvement in the administrative and data sharing procedures to make the data submittal requirements more efficiently meet both customers' and Bonneville's needs. POC-031-NRU; POC-029-PPC.

Evaluation and Decision

Bonneville welcomes feedback on the data and information sharing requirements in the Regional Dialogue contract, including feedback on ways to improve processes for collecting this information. Bonneville strives to make its contracts and processes as efficient as is reasonably and technologically possible for all parties. Bonneville will continue conversations regarding data collection during the Provider of Choice policy implementation and contract development phase. Bonneville will maintain its draft Policy approach regarding loads and resource data collection.

Issue 144: Should Bonneville add a policy section to address ongoing processes and administrative tasks associated with the Provider of Choice contracts?

Policy Proposal

Bonneville did not include a comprehensive list of, or a commitment to discuss, the many administrative tasks or processes that it would take to implement and administer the Provider of Choice contracts in the draft Policy. In Section 11.5, Bonneville described some of the load and resource information that customers would be required to provide under the future contracts.

Public Comments

Clatskanie requested "the addition of a policy section addressing the administrative and process needs of both Bonneville and customers." Clatskanie noted it would be beneficial through the Provider of Choice process to discuss how best to jointly administer the contracts, including "data submission, reporting, settlement, meter management, and systems upkeep." They expressed this is an area of growing concern and requested a specific effort called for within the Policy. POC-020-Clatskanie.

Evaluation and Decision

Bonneville did not include a specific commitment to discuss the processes or administrative tasks needed to implement the contract in the draft Policy. Further implementation details and potential contractual requirements will be influenced by the Policy but will also be informed by product design. As Bonneville has not defined its products and services in details, the necessary administrative processes or tasks cannot be identified in the Policy at this time. Bonneville commits to working with customers to discuss administrative process efficiencies and to establish clear contractual obligations ahead of contract signing. Bonneville will maintain its draft Policy approach and declines to add a policy section regarding administrative needs such as data submissions, billing, meter management and systems upkeep at this time.

Issue 145: Should Bonneville set forth parameters or criteria in the contract specifying which, if any, significant changes in the region would trigger a “reopener” to the Provider of Choice contracts?

Policy Proposal

Section 11.6 of the draft policy proposed that Provider of Choice contracts would specify under which circumstances the contracts would be amended and revised. The draft policy was silent on which circumstances, if any, would trigger a contract “reopener.”

Public Comments

The Council commented that due to the rapidly evolving nature of the power system and energy landscape, Bonneville should build flexibility into its contracts, and identify key areas of risk that might trigger revisiting policies, contracts, or rates to allow for revisiting and changes, where needed. Specifically, the Council recommended that Bonneville identify some triggers for opening the contracts, including significant changes to the WRAP or markets in the region that could create negative impacts on participation, and ultimately regional resource adequacy, without contract changes. POC-025-Council.

The NWEC Group also supported a contract reopener. They stated that Bonneville must be transparent and proactive about the assumptions regarding the NWEC Group’s anticipated reduced output from the hydro system, river operations underlying Bonneville’s contract policy, and Bonneville’s associated resource acquisition plans. They felt a contract reopener would prudently address the need to update these assumptions and resource acquisition plans during the contract term. The NWEC Group suggested that a shorter contract term or a reopener would be prudent given these rapidly changing dynamics. POC-028-NWEC-Group.

AWEC commented that it appreciated Bonneville’s acknowledgement of the need to specify when and how the contracts can be modified to deal with changing circumstances that the parties cannot fully anticipate at the beginning of the contract term. AWEC further commented that any amendment and revision should take place in a process “where customers have true agency, and should include the ability to address market, product, and carbon risk.” POC-050-AWEC.

Evaluation and Decision

Bonneville understands a reopener to mean engaging the customers in contract renegotiations under certain circumstances. While Bonneville does not agree that the contracts should include a built-in reopener for potential events, Bonneville agrees that flexibility to amend and revise contracts will continue to be critically important to durable, sustainable long-term Provider of Choice contracts. Under the Regional Dialogue contracts, Bonneville has demonstrated that it is flexible and can accommodate changing needs. For example, Bonneville has worked with customers to add new services and make product updates, entered the WEIM, and addressed customer needs during the COVID-19 pandemic.

Bonneville will discuss the contract provisions related to amendments and revisions in the upcoming policy implementation and contract development phase. Similar to Regional Dialogue, the agency anticipates including provisions in the contract revisions clauses that outline the circumstances under which the contract may be amended or revised. Bonneville anticipates that the Provider of Choice contracts will outline and specify revision-related information including but not limited to: (1) routine, administrative updates to the agreements, such as capturing customers' elections and updating data in the exhibits; (2) the timing for specific revisions; (3) the addition of new products and services; and (4) when a revision is unilateral or bilateral. While certain revisions clauses in the Regional Dialogue contracts specify a process prior to a revision or offer of a revision, Bonneville's practice has been to share the draft contract language for new or revised products and services with customers for comment prior to finalizing such language. Bonneville anticipates a similar customer vetting and comment process for contract language for new and updated products and services under Provider of Choice.

AWEC requests that any amendment and revision (1) take place in a transparent process where customers have "true agency" and (2) considers market, product, and carbon risk in all revisions. For contract amendments and revisions to update or add new services, Bonneville provides transparency by routinely sharing updated language with impacted customers for review prior to finalization and offer. Additionally, when drafting new or revising existing contract language, Bonneville considers compatibility with customer needs, statutes, product features, services, risk, timelines, markets, landscape and other relevant factors to ensure the contract language is durable, workable and legally sustainable. Bonneville anticipates similar transparency under the Provider of Choice contracts.

Similar to the current TRM, Bonneville anticipates that the PRDM will include a process to revise the PRDM that will allow customers and Bonneville to add improvements while avoiding unintended consequences. It will allow for the parties to adapt to unexpected events under the contract while maintaining certainty, customer equity and cost recovery. Any such provisions will be developed through the PRDM process and/or subsequent 7(i) rate proceedings.

Bonneville's Policy will not direct Provider of Choice contracts to include specific triggers that would reopen the contracts to significant renegotiation. Bonneville has demonstrated that it has tools in place that allow for its contracts to be amended in response to changing circumstances. Bonneville will be flexible when necessary when there are significant events that warrant change or special accommodations. Bonneville will maintain its draft Policy position and not include a proposal for a contract reopener in the Policy.

Issue 146: Should Bonneville have flexibility to amend contracts and the PRDM as proposed?

Policy Proposal

In Section 11.6 of the draft policy, Bonneville proposed that Provider of Choice contracts would specify under which circumstances the contracts would be amended and revised. The draft Policy also states: "Bonneville intends to offer processes to revise the PRDM to avoid unintended consequences or to allow for improvements and enhancements."

Public Comments

Bonneville received multiple comments that stressed the importance of flexibility for the Provider of Choice contracts. AWEC commented that the success of contracts "will hinge on their ability to adapt to an evolving environment." AWEC also commented that the 19-year contract term is another reason it is so important for contracts to be flexible and for there to be mechanisms for collaboration with customers to address change. POC-050-AWEC. The Council commented that Bonneville should explore building sufficient flexibility into its contracts to adapt to changing needs but does not recommend ever-evolving contracts and structures. POC-025-Council.

WPAG commented that to achieve durable contracts, contracts would need to: (1) allow customer flexibility to readily adjust their relationship with Bonneville as their post-2028 needs evolve, and (2) include administratively efficient ways to amend and update the contracts and rates. POC-045-WPAG.

NRU commented that it had no objection to the draft policy position. POC-031-NRU.

Evaluation and Decision

Bonneville agrees that flexibility will be key to the durability and sustainability of the Provider of Choice contracts over the term of the agreements. The combination of the Regional Dialogue contract and the TRM—which includes processes to revise the TRM to avoid unintended consequences and allow for improvements, and enhancements—has proven to be a resilient construct that has provided long-term rate stability and predictability. Over the last 15 years, Bonneville and its customers have learned what works well and what could be improved under the current construct. Bonneville is open to contract options that would increase certainty and provide customers with flexibility while avoiding cost shifts and ensuring recovery of Bonneville's costs.

WPAG comments that the contracts should "include administratively efficient ways to amend and update the contracts and rates." Bonneville clarifies that rates will be set through a section 7(i) rate process consistent with the PRDM. In the PRDM, Bonneville intends to include provisions that would provide a process to amend the PRDM to avoid unintended consequences or to allow for improvements and enhancements. Bonneville anticipates an approach similar to the approach included in the TRM.

Bonneville looks forward to working with customers during the next policy implementation and contract development phase to discuss further contractual flexibilities and contract administration efficiencies.

Issue 147: Should Bonneville uphold the draft Policy position on governing law and dispute resolution procedures?

Policy Proposal

In the draft Policy, Bonneville specified that it would develop dispute resolution procedures for the Provider of Choice contract period and under the PRDM. Section 11.7.1 explained that for the Provider of Choice contracts, Bonneville would rely on the existing dispute resolution procedures included in the Regional Dialogue contracts. In Section 11.7.2, Bonneville explained that it would draw from the dispute resolution provided in the TRM but would consider some simplifications.

Public Comments

Two parties commented on Bonneville's approach to dispute resolution. First, WPAG supported the draft Policy proposal "to use the dispute resolution procedures under the Regional Dialogue contracts as the starting point for developing the dispute resolution procedures to be included in the Provider of Choice contracts." Additionally, WPAG noted that it reserved "making any proposed changes to such procedures until the contract negotiation phase of the Provider of Choice process." POC-045-WPAG. Second, NRU stated that it had no objection to the dispute resolution language proposed in the draft Policy. POC-031-NRU.

Evaluation and Decision

Bonneville explained in the draft Policy that it would rely on the existing dispute resolution processes included in the Regional Dialogue contract and the TRM to inform both the Provider of Choice contracts and the PRDM. Bonneville does not anticipate major changes for the Provider of Choice contracts dispute resolution process. Bonneville notes that the provision was drafted by Bonneville and customers for the Regional Dialogue contracts, and final details of the dispute resolution framework will be reviewed to ensure compatibility with the proposed Provider of Choice contract. Bonneville and customers will review the provision during the contract drafting and negotiation phase of the Provider of Choice process. Related to the PRDM, Bonneville noted that it would consider opportunities to simplify the dispute resolution process while maintaining the substantive protections afforded by the TRM dispute process. Bonneville appreciates the comments on dispute resolution and will maintain the dispute resolution section of the Policy.

13. Environmental Analysis

Consistent with the NEPA, 42 U.S.C. § 4321, *et seq*. (2022), Bonneville assessed the potential environmental effects that could result from implementing the Policy.

This Policy would lay the foundation for Bonneville's potential future formation of sales contracts providing for the long-term supply of electric power through standardized products and services and transparent processes. The Policy describes the underlying principles that would guide formation of those potential future contracts, including a description of the types of products and services that would be offered. As discussed in this decision document, the Policy's foundational service elements would include: (1) specifying how net requirements would be calculated (the amount of firm requirements power a customer is able to purchase); (2) continuing the tiered rate construct; (3) defining the amount of power available at PF Tier 1 rates; and (4) specifying how CHWMs are calculated (the maximum amount of power available to each customer at PF Tier 1 rates). The Policy also identifies which products and services would be offered at PF rates, products and services available at the NR rate and IP rate, and various rate discounts. All of these proposed decisions would guide formation of any such potential future contract, and none would involve any new facility construction, changes in existing generator operations, or physical changes beyond previously disturbed or developed facility areas.

Because the Policy would not require Bonneville to take any action that would have a potential effect on the environment, no further NEPA analysis is required. As Bonneville begins contemplating new contracts with customers, with the goal of executing any such contracts by the end of calendar year 2025, appropriate NEPA analysis would be conducted and documented prior to making any final agency decisions about entering into potential Provider of Choice contracts.

Appendix A: Abbreviations/Acronyms

Abbreviation/Acronym	Definition
Above-CHWM; Above-RHWM	Above-Contract High Water Mark; Above-Rate-Period High Water Mark
ACS	asset controlling supplier
aMW	average megawatt
ARTS	Agreement Regarding Transfer Service
ASC	average system cost
ATC	available transmission capacity
AWEC	Alliance of Western Energy Consumers
Benton PUD	Benton Public Utility District
Benton REA	Benton Rural Electric Association
Big Bend	Big Bend Electric Cooperative
Blackfeet	Blackfeet Nation
Bonneville	Bonneville Power Administration
Bulb Turbines	Bulb Turbine Project
C/M	consumers per pole mile
Central Lincoln	Central Lincoln People's Utility District
CETA	The State of Washington's Clean Energy Transformation Act
CDQ	contract demand quantity
CDD	cooling degree days
CGS	Columbia Generating Station
CHWM	Contract High Water Mark
Clatskanie	Clatskanie People's Utility District
Cowlitz	Public Utility District No. 1 of Cowlitz County
Council	Northwest Power and Conservation Council
CR	contingency reserves
CRITFC	Columbia River Inter-Tribal Fish Commission
CRK	Columbia Riverkeeper
CRT	Columbia River Treaty
CSKT	Confederated Salish and Kootenai Tribes of the Flathead Nation
CY	calendar year
DOE	U.S. Department of Energy
DSI	direct service industry
E3	Energy & Environmental Economics, Inc.
EAC	energy attribute credit
Earth Ministry	Earth Ministry/Washington Interfaith Power and Light
ECA	Energy Conservation Agreement
EEI	Energy Efficiency Incentive
ESS	energy shaping services
EWEB	Eugene Water & Electric Board
Fall River	Fall River Rural Electric Cooperative

Abbreviation/Acronym	Definition
FBS	Federal Base System
FCRPS	Federal Columbia River Power System
FCRTS	Federal Columbia River Transmission System
FERC	Federal Energy Regulatory Commission
Flathead	Flathead Electric Cooperative
FPS	Firm Power Product and Services rate
Franklin	Public Utility District No. 1 of Franklin County
FY	fiscal year
GHG	greenhouse gas
Glacier	Glacier Electric Cooperative
Grant	Public Utility District No. 2 of Grant County, Washington
GTA	General Transfer Agreement
Harney	Harney Electric Cooperative
HDD	heating degree days
ICL	Idaho Conservation League
ICUA	Idaho Consumer Owned Utilities Association
Idaho Falls	Idaho Falls Power
IM	Bonneville Energy Efficiency Implementation Manual
Inland	Inland Power and Light Company
IOU	investor-owned utility
IP	Industrial Firm Power
IRD	Irrigation Rate Discount
IRU	Idaho Rivers United
Jefferson	Jefferson Public Utility District No. 1
JOE	joint operating entity
K/I	kilowatt hour to investment
Klickitat	Klickitat Public Utility District
kWh	kilowatt hour
LAP	load aggregation point
LDD	Low Density Discount
Lewis	Public Utility District #1 of Lewis County
Lower Valley	Lower Valley Energy
LRE	load responsible entity
JOE	joint operating entity
Mason 1	Public Utility District No. 1 of Mason County
Mason 3	Mason Public Utility District 3
McMinnville	McMinnville Water & Light
Modern	Modern Electric Water Company
MVP	Mission Valley Power
MW or MWh	megawatt, megawatt hour
NEEA	Northwest Energy Efficiency Allianc

Abbreviation/Acronym	Definition
NEPA	National Environmental Policy Act
NERC	North American Electric Reliability Corporation
Nez Perce	Nez Perce Tribe
NGO	non-governmental organization
Ninth Circuit	United States Court of Appeals for the Ninth Circuit
NITS	Network Integration Transmission Service
NITSA	Network Integrated Transmission Service Agreements
Northwest Power Act	Pacific Northwest Electric Power Planning and Conservation Act
NLSL	New Large Single Load
NR	New Resource
NRFS	new resource flattening services
NRU	Northwest Requirements Utilities
NT	Network
NT MOA	Network Memorandum of Agreement
NWEC	NW Energy Coalition
OATT	Open Access Transmission Tariff
OPALCO	Orcas Power & Light Cooperative
P10	monthly 10th percentiles
Pacific	Public Utility District No. 2 of Pacific County
Peninsula	Peninsula Light Company
PF	Priority Firm
PNGC	Pacific Northwest Generating Cooperative
POD	point of delivery
Policy	Provider of Choice Policy
PPC	Public Power Council
PPG	Planned Product Group
PRDM	2029 Public Rate Design Methodology
PRM	Planning Reserve Margin
President's Memorandum	President Biden's September 27, 2023, Memorandum, Restoring Healthy and Abundant Salmon, Steelhead, and Other Native Fish Populations in the Columbia River Basin
PTP	Port Townsend Paper
PURPA	Public Utility Regulatory Policies Act
QCC	Qualified Capacity Contribution
Raft River	Raft River Rural Electric Cooperative
RDC	reserves distribution clause
REC	renewable energy credit
REP	Residential Exchange Program
RFO	request for offer
RHWM	Rate Period High Water Mark
ROD	record of decision

Abbreviation/Acronym	Definition
RPS	renewable portfolio standard
RPSA	Residential Purchase and Sale Agreements
RSO	Requirements Slice Output
RSS	Resource Support Services
RTO	Regional Transmission Organization
Salmon River	Salmon River Electric Cooperative
Seattle	Seattle City Light
SMR	small modular reactor
SNEER Exception	Small Non-dispatchable New Resource Treated Equivalently to an Existing Resource Exception
Snohomish	Public Utility District No. 1 of Snohomish County
SOS Coalition	Save Our wild Salmon Coalition
Springfield	Springfield Utility Board
Surprise Valley	Surprise Valley Electrification Corp.
Tacoma	Tacoma Power
TRL	total retail load
TRM	Tiered Rate Methodology
TSEP	Transmission Service Request Study and Expansion Process
TSSA	Transfer Service Support for Non-federal Resources Agreements
United	United Electric Co-op, Inc.
UGP	Upper Great Plains District
U.S.	United States
WA	State of Washington
WAPA	Western Area Power Administration
WAPA Resource	Western Area Power Administration Blackfeet Nation tribal allocation
WEIM	Western Energy Imbalance Market
WPAG	Western Public Agencies Group
WPP	Western Power Pool
WRAP	Western Resource Adequacy Program
WREC	Wells Rural Electric Company
WREGIS	Western Renewable Energy Generation Information System
WSPWE	Warm Springs Power & Water Enterprises
Yakama Nation	Confederated Tribes and Bands of the Yakama Nation

Appendix B: List of Comments

Provider of Choice Assigned ROD Comment Reference	Bonneville Public Involvement Assigned Comment Number	Affiliation	Commenter
POC-001-Inland	POC23230003	Inland Power and Light Co.	Jason Bronec
POC-002-MVP	POC23230004	Mission Valley Power	Zachary Conko Camel
POC-003-ICUA	POC23230038	Idaho Consumer-Owned Utilities Association	Will Hart
POC-004-MVP-Consumer-Council	POC23230006	Mission Valley Power Consumer Council	Brian Big Sam Johnson
POC-005-Glacier	POC23230008	Glacier Electric Cooperative, Inc.	Hugo Anderson
POC-006-Form-Letter	POC23230093	Environmental Form Letter - Multiple	Multiple
POC-007-Modern	POC23230009	Modern Electric Water Company	Joe M. Morgan
POC-008-CSKT	POC23230010	The Confederated Salish and Kootenai Tribes of the Flathead Nation	Tom McDonald
POC-009-Benton-REA	POC23230011	Benton Rural Electric Association	Ryan Redmond
POC-010-Big-Bend	POC23230018	Big Bend Electric Cooperative, Inc.	Yvette Armstrong
POC-011-Central-Lincoln	POC23230024	Central Lincoln People's Utility District	Tyrell Hillebrand
POC-012-Grant	POC23230020	Public Utility District No. 2 of Grant County	Richard Wallen
POC-013-OPALCO	POC23230025	Orcas Power & Light Cooperative	Foster Hildreth
POC-014-Cowlitz	POC23230026	Public Utility District No.1 of Cowlitz County	Deanna Carlson
POC-015-McMinnville	POC23230030	McMinnville Water & Light	John C. Dietz
POC-016-Labor-Environmental	POC23230028	Labor and Environmental Coalition	April Sims et al
POC-017-Raft-River	POC23230031	Raft River Rural Electric Cooperative	Chad Black
POC-018-E3	POC23230036	Energy & Environmental Economics, Inc.	Arne Olson
POC-019-Peninsula	POC23230080	Peninsula Light Co.	Sharon Silver and Jacob Henry
POC-020-Clatskanie	POC23230040	Clatskanie People's Utility District	William (Marc) Farmer
POC-021-WPP	POC23230041	Western Power Pool	Sarah Edmonds
POC-022-Mason-3	POC23230042	Mason Public Utility District 3	Annette Creekpaum

Provider of Choice Assigned ROD Comment Reference	Bonneville Public Involvement Assigned Comment Number	Affiliation	Commenter
POC-023-United	POC23230043	United Electric Co-op, Inc.	Michael Darrington
POC-024-AHWM-Group	POC23230044	AHWM-Group	Chris Allen
POC-025-Council	POC23230075	Northwest Power and Conservation Council	Jeff Allen
POC-026-Franklin	POC23230046	Public Utility District No. 1 of Franklin County	Scott Rhees
POC-027-WREC	POC23230072	Wells Rural Electric Company	Clay R. Fitch
POC-028-NWEC-Group	POC23230055	Northwest Energy Coalition Group	Lauren McCloy et al
POC-029-PPC	POC23230086	Public Power Council	Michael Deen
POC-030-ICL-CRK	POC23230048	Idaho Conservation League and Columbia Riverkeeper	Mitch Cutter and Miles Johnson
POC-031-NRU	POC23230049	Northwest Requirements Utilities	Zabyn Towner
POC-032-NLSL-Group	POC23230051	NLSL Group	Steve Kerns
POC-033-Snohomish	POC23230074	Public Utility District No. 1 of Snohomish County	Jason Zyskowski
POC-034-Flathead	POC23230050	Flathead Electric Cooperative	Mark Johnson
POC-035-Fall-River	POC23230052	Fall River Rural Electric Cooperative, Inc.	Bryan Case
POC-036-Springfield	POC23230053	Springfield Utility Board	Tracy Sutten
POC-037-PPG	POC23230054	Planned Product Group	Lena Wittler et al
POC-038-Jefferson	POC23230056	Jefferson Public Utility District No. 1	Kevin Streett
POC-039-Seattle	POC23230057	Seattle City Light	Alan Bach
POC-040-Idaho-Falls	POC23230058	Idaho Falls Power	Bear Prairie
POC-041-PTP	POC23230059	Port Townsend Paper	Timothy Schultz
POC-042-Tacoma	POC23230070	Tacoma Power	Chris Robinson
POC-043-International-Paper	POC23230071	International Paper	Denise Martin
POC-044-EWEB	POC23230073	Eugene Water & Electric Board	Brian Booth and Megan Capper
POC-045-WPAG	POC23230061	Western Public Agencies Group	Ryan Neale
POC-046-PNGC	POC23230062	Pacific Northwest Generating Cooperative	Erin Erben
POC-047-Salmon-River	POC23230063	Salmon River Electric Cooperative	Ken Dizes

Provider of Choice Assigned ROD Comment Reference	Bonneville Public Involvement Assigned Comment Number	Affiliation	Commenter
POC-048-IRU	POC23230065	Idaho Rivers United	Stephen Pfeiffer
POC-049-Lithium-Americas	POC23230067	Lithium Americas	Hugh Broadhurst
POC-050-AWEC	POC23230068	Alliance of Western Energy Consumers	Bill Gaines
POC-051-Benton-PUD	POC23230060	Benton PUD	Rick Dunn
POC-052-Harney	POC23230069	Harney Electric Cooperative	Fred Flippence
POC-053-Yakama-Nation	POC23230076	Confederated Tribes and Bands of the Yakama Nation	Gerald Lewis
POC-054-Environmental-Group	POC23230066	Environmental Group	Anne Hedges et al
POC-055-Lewis	POC23230077	Public Utility District #1 of Lewis County	Luke Canfield
POC-056-Klickitat	POC23230078	Klickitat PUD	Jim Smith
POC-057-WSPWE	POC23230079	Warm Springs Power & Water Enterprises	Cathy Ehli
POC-058-Pacific	POC23230081	Public Utility District No. 2 of Pacific County	Humaira Falkenberg
POC-059-CRITFC	POC23230082	Columbia River Inter-Tribal Fish Commission	Christine Golightly
POC-060-Surprise-Valley	POC23230085	Surprise Valley Electrification Corp.	Bradley Kresge
POC-061-Mason-1	POC23230084	Public Utility District No. 1 of Mason County	Jack Janda
POC-062-Council-OR-WA	POC23230075	Northwest Power and Conservation Council, Oregon and Washington	KC Golden et al
POC-063-Fallow	POC23230012	Individual	Anthony Fallow
POC-064-Toro	POC23230013	Individual	Debora Toro
POC-065-Murdock	POC23230014	Individual	Linda Murdock
POC-066-Jory	POC23230015	Individual	Grace Jory
POC-067-Jory	POC23230016	Individual	Griffin Jory
POC-068-Stumme	POC23230017	Individual	Jessica Stumme
POC-069-McFarland	POC23230019	Individual	Shawn McFarland
POC-070-Davis	POC23230021	Individual	Karen Davis
POC-071-Stevens	POC23230022	Individual	Karin Stevens
POC-072-Shurgot	POC23230023	Individual	Michael Shurgot

Provider of Choice Assigned ROD Comment Reference	Bonneville Public Involvement Assigned Comment Number	Affiliation	Commenter
POC-073-Begley-Collier	POC23230027	Individual	Owen Begley-Collier
POC-074-Wireman	POC23230032	Individual	Eleanor Wireman
POC-075-Wagner	POC23223033	Individual	Macie Wagner
POC-076-Jaeckel	POC23230035	Individual	Brad Jaeckel
POC-077-SOS-Coalition	POC23230083	Save Our wild Salmon Coalition	Joseph Bogaard
POC-078-Earth-Ministry	POC23230090	Earth Ministry/Washington Interfaith Power and Light	Sarah Robinson
POC-079-Bray	POC23230091	Individual	Reta Bray
POC-080-WA-DOC	POC23230088	State of Washington Department of Commerce	Michael Furze
POC-081-Nez-Perce	POC23230087	Nez Perce Tribe	Shannon Wheeler
POC-082-Lower-Valley	POC23230092	Lower Valley Energy	James Webb

Appendix C: Environmental Form Letters Received

Form letters are defined as when a commenter sends an identical letter as other commenters. A form plus letter is when a commenter sends the identical letter but adds additional text (called variant text in this report). Note that a commenter can change the order of the form letter and delete sentences from their form letter submission. These changes would not be shown as variant added sentences.

Bonneville received one form letter with over 16,500 submissions and over 300 form plus letter submissions. This environmental form letter has the Provider of Choice Assigned ROD Comment Reference of POC-006-FormLetter. All form letter text and variant text is shown below. Text is presented as submitted, which may include spelling and other errors. This text has not been edited.

Environmental Form Letter

Salmon and steelhead are an integral part of life in the Northwest. They are the foundation of an entire ecosystem from forests to orcas; they support industries and family wage jobs from commercial fishing to tourism; and most importantly, they are indispensable to the cultures and ways of life for the Northwest Tribes who have relied on them since time immemorial.

The hydroelectricity sold by BPA has provided economic value to the region but at an extraordinary cost to salmon, to fishing and other jobs, and most of all to Tribes who are at risk of losing the heart of their culture as salmon people if we allow wild salmon to become extinct.

We do not have to choose between clean, reliable electricity and healthy and abundant wild salmon. With responsible planning that incorporates both fish needs and the reliability of our electric supply, we can and must ensure that our power does not come at the cost of our salmon.

This responsible planning—incorporating both fish needs and reliable, clean electricity—is woefully absent in BPA's draft Provider of Choice contract policy.

Specifically, BPA's draft policy fails to plan for necessary changes in hydrosystem operations to restore healthy and abundant salmon. Salmon need more spill, cooler waters, and more flow to pass the dams and reservoirs as safely and quickly as possible. These needs will increase significantly as climate impacts worsen. Meeting these critical fish needs will impact the output of the hydrosystem. This impact does not have to be disruptive if BPA builds these system operation changes into the Provider of Choice contracts and plans ahead to meet the dual challenge of providing reliable, clean energy and restoring healthy and abundant salmon.

In his recent Presidential Memorandum, President Biden called for "a sustained national effort to restore healthy and abundant native fish populations in the [Columbia and Snake River] Basin." Both now and in preparation for the Provider of Choice contract period, BPA must plan and prepare for lower energy output from the Federal Columbia River Power System in pursuit of these critical goals. The final contract policy should lay this assumption out clearly as it summarizes the emerging landscape and plans for future resource acquisition to offset and augment current and future federal hydroelectric generation.

Lastly, the final Provider of Choice Policy should guarantee meaningful stakeholder engagement in implementing the policy. BPA's definition of "stakeholders" should extend far beyond BPA's electric utility customers. It should include NGOs, labor unions, and members of the general public. Of course direct consultation with Northwest Tribal nations must also be a part of both the contract policy development and implementation. BPA's policies have wide-ranging impacts across the region, and BPA should seek and welcome feedback from this broad range of impacted governments and stakeholders.

Environmental Form Letter Plus – Variant Text

- I won't quote the whole text of the comments Earthjustice is asking citizens to send you. But I was very glad to read in them that adjusting the spill arrangements of the four dams in question would both help salmon survive and continue to supply much of the electric power these dams provide. Please build "these system operation changes into the Provider of Choice contracts and plans" so as " to meet the dual challenge of providing reliable, clean energy and restoring healthy and abundant salmon." And please keep in mind that those with a "stake" in your decisions include many more than those to whom you provide electrical power. "It should include NGOs, labor unions, . . . members of the general public" and "direct consultation with NW Tribal nations. . . ." Thank you for your kind attention to this serious matter. Taking account in your decisions the needs of many more people and the fish and life-ways they depend on can be a good example to many other companies in this nation and the world.
- Dude! Tou have heard this You know this now get off it!
- I WATCHED SALMON IN MY LOCAL RIVER LAST WEEK AND KNOW HOW THEY ARE PART OF THE WHOLE ECOSYSTEM. I AM ALSO A STRONG ADVOCATE FOR RENEWABLE ENERGY, AS IT PROTECTS EXISTING LIFE. PLEASE WORK ON INCORPORATING BOTH PRIORITIES INTO YOUR PLAN. BOTH CAN BE HEALTHY AND NATIVE (LOCAL!). THANK YOU FOR YOUR CONSIDERATION AND YOUR WORK.
- (And… trains are the primary mode of commerce along the Columbia and solar and wind trump dams for power generation. We can evolve our energy needs AND save the "nutrient transport" (aka ocean going salmon) for future generations!!). They are healthy to eat too!!
- ***Our precious Pacific Northwest orcas are careening toward extinction because the salmon upon which they depend are snuffed out by the Snake River dams. We must decide whether we more value this ongoing demonstration of Earth's grander, or the cheap commodity transport afforded by these dams. Our children will have no doubt about what the correct choice was. The Orcas will continue to starve to their last individual, until a reasonable fraction of the historical Chinook Salmon populations are

restored by freeing their spawning habitats, now besieged behind the Snake River Dams. These dams have been slowly extinguishing the salmon populations of the entire river system for decades, and the rapid march of climate change has rapidly accelerated their schedule of extinction. Unless we breach the dams immediately and thereafter remove them, these precious and irreplaceable populations may collapse entirely, depriving the Pacific Northwest and America of a majestic and iconic element of our natural heritage. These fish are dying of heat and associated horrific diseases before our eyes, as their rivers broil under temperatures that the Holocene Era has not equipped them for.***

- **Now is the time to change**
- again....still...Salmon and steelhead are an integral part of life in the Northwest.
- Although I don't live in the Pacific NW, I know that sSalmon and steelhead are an integral part of life there.
- As a 22-year resident of WA State, I care deeply about salmon and Orca.
- As a Christian and steward of our bountiful earth, I write on behalf of those who depend on the Snake River.
- As a concerned American citizen and taxpayer, I appreciate you for considering my comments.
- As a concerned citizen and grandparent I value clean electricity but also the Salmon and steelhead which are an integral part of life in the Northwest
- As a life-long commercial fisher woman and 6th generation of the Pacific NW, it's obvious that the salmon and steelhead population has declined. We all know that. My father engineered and installed the solar powered fish counter along the Columbia River Gorge. We need you to do your part!
- As a long-time kayaker and rafter, I know that salmon and steelhead are an integral part of life in the Northwest.
- As a member of OPALCO, a San Juan County local power utility, I strongly support maintaining the lower four Snake River Dams. I have studied the fish issues in the Columbia/Snake rivers system for many years. The returning salmon counts at Bonneville have been at record levels in recent years, although what scientists generally believe is a warming Pacific Ocean (the "Blob") has reduced the returns in the past four/five years. But, compared to the salmon counts pre Snake River lower dam construction, they are substantially above pre-dam construction numbers ... in the best of years, almost triple the numbers. Hatcheries and flow increases have been very successful, and that is not made clear to the public by any organization or media. Western Washington Democrats (and I'm one) have vigorously promoted dam removal ... you will likely get flooded with pre-written letters. Their leadership is truly clueless ... I know, because I work with one of their primary leaders. They are totally married in with the Wild Fish Conservancy and Stop Salmon Extinction, and of course, the tribes which they blindly support on virtually every issue. As a citizen scientist and long time naturalist, including work on National Geographic science books and being a public

spokesman for the Seattle Aquarium on salmon in the past, the major issue with the proposed dam removal is failure by NOAA and others to recognize what is happening with climate change ... albeit it's a slow process. The Snake River is in one of the hottest places in the Pacific Northwest ... and salmon like do best in upper temperatures at about 54ºF. Temperatures 64º-68º are lethal. With warmer year round temperatures, earlier and faster snow melt, and less rain in the summers, there is very sparse studies showing that salmon will survive in the Snake in the future ... and you can see this happening in some rivers from California to Southern British Columbia. Eventually the dams, as they age, may be removed. I'm 100% behind electrification without using fossil fuels, and those four dams have done that for decades. But I would look at a time horizon perhaps some 40 years from now when the U.S. energy grid is largely fossil fuels free and adequate infrastructure exists to support the more climate friendly electrification revolution.

- As a person who grew up in Idaho, i am very concerned about the fate of its salmon.
- As a PNW resident, I know salmon and steelhead are an integral part of life in the Northwest
- As a public health researcher, salmon and steelhead are an integral part of life in the Northwest.
- As a resident of Oregon I am writing to express my support for BPA to plan for LESS hydropower and BETTER protection for salmon.
- As a resident of Oregon, I've often despaired at the plight of salmon in the Pacific Northwest, salmon once so plentiful they would virtually choke rivers and streams when it came time to spawn, enough salmon to feed generation after generation of Native American civilizations.
- As a retired marine biologist who has worked on salmon and marine mammal issues, I know that salmon and steelhead are an integral part of life in the Northwest.
- As a type-1 diabetic for 53 years, I rely on fish like salmon to stay healthy. My mother grew up in a small German-American community sandwiched between two tribal reservations in South Dakota, and tribal members bought supplies from her parent's general store.
- As a visitor to ID last year, I ran the Middle Fork of the Salmon River and learned much about why the mighty waterway got its name. I also deepened my respect for the salmon species, the interconnectedness of all waterways and the importance of improving our species' relationship with our biosphere. This must include BPA engaging with a more diverse set of stakeholders and understanding the utility's place in preserving the web of life.
- As a young woman, white water rafting on the Snake River, I knew it was a major mistake for us and our planet to damn it. One of my favorite and healthiest protein foods on this still livable planet is salmon!

- As an avail sportsman, I believe that steelhead and salmon are an integral part of life in the Northwest
- As I have learned from 10 years of living on the Oregon coast, salmon and steelhead are an integral part of life in the Northwest.
- As I know you are well aware, salmon and steelhead have been an integral part of life in the Northwest US.
- As the author of a definitive history of the upper Columbia Basin's ecology and government policy choices, I know well the short-sighted nature of hydro-electric development and its devastating impacts. I also know that strong leadership can restore some of what has been lost to the rivers of the Columbia River watershed. Please do what you can, and also envision what you may think is impossible. Put the fish first for just a few weeks each year. Give them what they need..... and ask all of us to turn the lights down. In summer, 2022, during a critical energy shortage in the state of California, the state leadership asked everyone to participate in a voluntary brown-out one evening. Alerted through their phones, eople all over the state turned off lights, appliances and AC for just a few hours. A forced blackout of power was evaded. Everyone felt a part of the solution. I know it sounds radical, but what about a voluntary brown out during juvenile salmon migrations? The entire Pacific Northwest would learn to think about something other than human needs.
- As United States citizen who relies upon our natural resources, I'm writing about my concern Salmon and steelhead
- As we all know, salmon and steelhead are an integral part of life in the Northwest.
- As you are no doubt aware, salmon and steelhead are an integral part of life in the Northwest
- As you may know, salmon and steelhead are an integral part of life in the Northwest.
- As you well know, salmon and steelhead are an integral part of life in the Northwest
- Both now and in preparation for the Provider of Choice contract period, BPA should be planning and preparing for lower energy output from the Federal Columbia River Power System in pursuit of these critical goals. The final contract policy should lay this assumption out clearly as it summarizes the emerging landscape and plans for future resource acquisition to offset and augment current and future federal hydroelectric generation.
- Breach the Dams
- Can we please just save an iconic species from extinction?
- Clean energy and salmon can exist together. Please include the needs of the salmon in your planning process.
- Clearly, salmon and steelhead are an integral part of life in the Northwest
- Come into the future BPA!
- Come on folks. Let's get rid of the dams. They aren't helping the salmon and steehead thrive. Please let's do this.

- Companies need to right the wrongs done. Correct what needs to be corrected in order to preserve that which was disrupted
- Dear President Biden-Please make good on your commitment to our environment and our First Americans.
- Do right by us!
- Do the right thing for the planet.
- Do the right thing here, please. All living things depend on you. Don't let them and us down.
- Do the right thing; avoid causing an extinction. Respect our environment.
- Do you like Fat Bear Week? Do you like eating salmon? This is important info.
- EARTHCARE FIRST...demands that: ...ALL PEOPLE prioritize SAVING EARTH and: ...saving its LIVING THINGS.... And this includes: SAVING SALMON! There is enough green energy potential in that region to compensate for any loss of hydro-electric power...and water rights can be managed. DO THE RIGHT THING...and SAVE OUR PLANET!
- edBPA's policies have wide-ranging impacts across the region, and BPA should seek and welcome feedback from this broad range of impacted governments and stakeholders.
- Enough is enough let the salmon live their lives, for god sake, grow up, power-hungry lunatics, tearing down everything so that in 20 years, there's an empty building and an empty parking lot that used to be filled with life and now shows how tragic you re ally are leave the damn fish alone
- Even though I live in Maine, I know that Salmon and steelhead are an integral part of life in the Northwest.
- Every species lost another nail in our collective coffin.
- EXT!NCT!ON !$ 4 ME & U, 2? The ENVIRONMENT !s All Around Us… Be a Part of IT! L3V3L❤️T!N Ch@Yng3 th3 Kod3! RecEYEcle www #YaWNMoWeR!
- Extremely important!...
- Fish such as salmon and steelhead are an integral part of life in the Northwest
- Free our estuary populations. Restore stream health!
- Free the Salmon!
- Getting those dams omitted will improve life in so many ways. I have travel this area, almost moved there years ago, and it's beautiful . Don't disturb one of natures really unspoiled areas.
- Greetings. It has come to my attention that the hydroelectricity sold by the Bonneville Power Administration on Snake River located in the Pacific Northwest has had an extraordinary detriment to salmon, fishing and other jobs, and to tribes who are at risk of losing the "heart of their culture" as salmon people.
- Having grown up in Oregon fishing, I know salmon and steelhead are an integral part of life in the Northwest.
- Having lived for over a quarter of a century in Japan, where every river was dammed and its banks paved, I'd like to see my own country avoid that same mistake.

- Having lived in the northwest and worked with Native Americans, I can not imagine a more important issue to be immediately addressed. There is no more time for shortsightedness or excuses. Fortunately we are living in a time of greater encompassing knowledge and options. When seriously, honestly and ethically implemented, these options have the potential to lead to a better future in serving flora and fauna, as well as humans.
- Having lived in the Seattle area for 8 years, I've come to understand that salmon and steelhead are an integral part of life in the Northwest.
- Having lived in Washington state, I know that salmon and steelhead are an integral part of life in the Northwest.
- Help! Salmon and steelhead are an integral part of life in the Northwest
- HEY! Salmon and steelhead are an integral part of life in the Northwest
- Human, environmental and planet health is sacred.
- I adore salmon! Please make life easier for salmon so we can enjoy eating them well inyi the future. NO SALMON EXTINCTION due to dams!!!!
- I am a 5th generation Washingtonian and I care deeply about the land and all life in our beautiful state.
- I am a native Washingtonian who went to school near the Snake River.
- I am a supporter of multiple green energy options. I have purchased solar energy panels for my roof so "I put my money where my mouth is."
- I am an attorney in Washington and I am a former chairperson of the Washington State Bar Association's Animal Law Section. My comments are my own and do not represent the views of either the Bar Association or the Animal Law Section. I am writing to you regarding efforts to restore salmon and steelhead, which are an integral part of life in the Northwest
- I am asking for my own selfish reasons and for the Native American Tribes
- I am deeply concerned for the American Indian tribes that rely on salmon and steelhead, and the health of the environment they rely on. Please protect them by removing the dams on the Snake River before it is too late!
- I am so exited that the Klamath River Basin is finally being restored, under the cooperation of so many tribal, private and public interests. It will be wonderful to experience the influx of healthy fish once again!
- I am standing with thousands of others today to bring this message to you.
- I am sure that you must already understand the enormous importance of Salmon and steelhead species;
- I am the mother of two young children and this issue is important to me.
- I am writing as a - Utah Republican precinct chair (SLC074), - biologist (1977 BS Biology, magna cum laude, Phi Beta Kappa, Utah Secondary Teaching Certificate 1977-1992), - lawyer (1979 JD), - member of the Union of Concerned Scientists, and - member of Patriotic Millionaires.

- I am writing as a concerned citizen and a frequent visitor to your region.
- I am writing as a longtime, committed environmentalist.
- I am writing as a physician and public health/ environmental protection advocate who strongly supports full protection for our endangered animals, including our orcas and salmon. It is crucial to understand that the Southern Resident population of orcas, whose 75 current members inhabit the coastal waters of the US Pacific Northwest and Canada's Vancouver Island, was declared endangered under the US Endangered Species Act. Now, despite nearly two decades of management by NOAA Fisheries, the Southern Residents remain alarmingly below the population growth goals outlined in their ESA Recovery Plan. The single greatest threat to the survival and recovery of the Southern Residents is the rapid decline of their primary prey, chinook salmon, another species listed as endangered under the ESA. Across the Pacific Northwest, large dams such as the four along the lower Snake River (the largest tributary of the Columbia River) have led to a massive reduction in the size of salmon stocks by hindering passage to, and damaging and destroying, the salmon's spawning grounds.
- I am writing because I know that salmon and steelhead are an integral part of life in the Northwest
- I am writing because it is so important to do this better!!
- I am writing on behalf of our 12 family voters and 3 children who all strongly urge you to take action to restore our salmon. Thank you for your work!
- I am writing to call your attention to the urgent need to protect salmon and steelhead in the Snake River.
- I am writing to emphasize the immense importance of salmon and steelhead in the life and vitality of the Northwest. These incredible species serve as the cornerstone of our entire ecosystem, playing a pivotal role in the well-being of our forests, our majestic orcas, and supporting industries and livelihoods, from commercial fishing to tourism. Most significantly, salmon and steelhead hold a sacred place in the culture and heritage of the Northwest Tribes who have depended on these magnificent creatures since time immemorial.
- I am writing to express my concern over salmon and steelhead
- I am writing to urge you to give prominent consideration in your draft Provider of Choice contract policy to what fish need, as well as need for reliable electricity for communities. These need not be in conflict, nor is it inevitable that salmon, as well as orcas and people who depend on fishing for livelihood and sustenance.
- I am writing to you today to urge you to remove the four lower dams on the Snake River in order to restore the samlmon habitat of the river
- I am writing with deep concern and urgency, as you know, salmon and steelhead are an integral part of life in the Northwest.

- I believe all of nature is connected. Harm caused to one species can lead to unexpected changes in another and so on. Please take this seriously and do the right thing. By making a difference today we can ensure a better future
- I believe in this message. I think it is time the dams are removed to allow salmon and steelhead to migrate back and forth without so much lost of life. It is so important for the marine life that depend on them for food. Please help. Lynn
- I completely endorse the following message. I hope you will read it in a bad, but it's recommendations, please!
- I do not think that it is an over large or outrageous ask to request that your authority do what it can to prevent the extinction of a species critically important to both the Pacific Northwest's ecology but also it's way of life. You need to do everything in your power to save salmon and steelhead, and you must do it immediately. The repercussions of these species' extinction would be disastrous and widespread, not something that would be feasibly recoverable.
- I do not want to see small towns in Idaho that rely on guiding, rafting, fishing, and the family wage jobs those activities provide, fall victim to the same fate as small Oregon towns when logging dried up
- I find it extremely distressing that we are losing species at an alarming rate, must we ADD to those losses?!? Dams on the Snake and Columbia are PUSHING salmon to EXTINCTION! This is UNACCEPTABLE! They BELONG in these rivers and the Native American Tribes, as well as others, DEPEND on having salmon as a fishing resource. It is CRUCIALLY IMPORTANT THAT THESE SALMON POPULATIONS CONTINUE TO THRIVE AND GROW. A way MUST be found to make this happen, a FORMAL plan and strong policies HAVE TO BE PUT IN place in order to KEEP THE SALMON ALIVE!!
- I grew up along the Snake River and heard stories of the great Salmon runs, followed by their diminishing numbers. It is hard for me to think of the Snake without the big fish.
- I have a MS degree in fisheries and I highly respect the importance of salmon in a healthy river ecosystem.
- I have been to Snake River
- I have done archaeological work and trail maintenance work in the areas affected by the damning of the Snake River.
- I have hiked along the snake river in multiple locations.
- I have never seen the salmon of the Northwest, but the pictures show an incredible species, especially when they migrate back to their birthplace.
- I have spent time rafting on the Snake and Salmon rivers and know how important these ecosystems are from the headwaters down to the ocean.
- I implore you to realize that now is the time to shift to a better future for BPA, a sustainable future or you and the areas you serve.
- I know the value of salmon and steelhead to the Northwest ecosystem. They are a keystone species of an entire ecosystem from forests to orcas;

- I know you probably get a lot of emails like this but I really hope you will consider that you have the ability to protect and save several species from extintion. We can't recreate them.
- I live in Idaho and visit the headwaters streams of the Salmon often in the summer and occasionally in the winter. They are clean and cold and ready for fish, but only a very few are able to complete their life cycle now utilizing these streams because of the reservoirs of the four lower Snake River dams. I recognize there are myriad causes of salmon decline, but the numbers are clear on the mortality caused in the lower 140 or so miles of the lower Snake.
- I live on occupied land that was stolen from the indigenous peoples who were here long before me. I have stared listening to their words and realize they have a lot of knowledge and are willing to share. I hope we can all listen to their words
- I lived in the Pacific Northwest for several years and wish I still did. The natural world is my passion. I have surf-cast and eaten my own salmon, and I know that salmon and steelhead are an integral part of life in the Northwest.
- I lived on the Snake River as well as the Salmon River and believe strongly in protecting them and improving the outcome for the ancient fish runs that depend on them.
- I love the Snake like I love the whole of our beautiful North American landscape. We are surrounded by wonders, but I feat their loss in a world overly exploited with too little value returned to sustainable thriving. Here, in this concern addressed by this letter is an excellent path towards sustainability. I urge your leadership in helping us find our deeper into the beauty of our land and its preservation.
- I mean this! I don't have time to type out my all I wish I could say, but NOTHING can be more IMPORTANT -- no short term goal, no temporary savings, no farmer-pleasing legislation -- than PRESERVING THE WONDER of wild salmon and orcas for future generations. Do you want to leave this legacy? "Oh, I was born in 2037, after the Pacific Northwest salmon runs had died out, but I hear they used to come for miles and miles up Columbia and Snake rivers to spawn! How amazing they must have been! "I also learned in school how Puget Sound once had pods of Resident orca whales that had their own language and culture dating back almost a thousand years, all centered on the salmon. They used to surface and breach in places as far south as the Nisqually Reach! Can you imagine?! "But they're gone -- all of them. In the early 2000s, there were farmers who wanted old dams to stay up and others who wanted to wait to replace the old electrical sources -- and leaders in that time cared more about their approval than preserving what had been here for thousands of years. They didn't care about us." * * *We do not have to choose between clean, reliable electricity and healthy and abundant wild salmon. With responsible planning that incorporates both fish needs and the reliability of our electric supply, we can and must ensure that our power does not come at the cost of our salmon.

- I metmy future husband at the University of Washington and decided that the best way to please him was to prepare for him a fresh salmon dinner. Being a student, I had little extra money, but salmon were plentiful and within my budget to buy one. Now they are much less plentiful
- I numb Salmon and steelhead are an integral part of life in the Northwest
- I rarely see wild caught salmon any more in the markets and it's terribly disturbing. It was a main staple in our household for years & the fact that we can't get the wild salmon any more unless we pay high prices is criminal. Action needs to be taken now. We can't lose this vital food source that so many people depend on. Access to salmon seems to be getting worse and I refuse to eat farmed salmon it just isn't the same quality as the real thing. We need healthy and abundant salmon. I never thought I'd see the day that the possibility of salmon going extinct could be a possibility because of the folly of man. Please don't let this happen & do the right thing. Save our salmon now!
- I realize that Salmon and steelhead are an integral part of life in the Northwest.
- I recognize that the removal of Snake River dams is controversial and has many details, but I support working toward a solution that takes care of the river health and the salmon plummeting toward extinction as well as the people who have depended on this altered system for their livelihood.
- I remember the beautiful riparian habitat that was destroyed by the Lower Granite Dam. This dam and the three others must come down to restore salmon and riparian habitats along the Snake River
- I strongly believe that salmon and steelhead are an integral part of life in the Northwest.
- I STRONGLY SUPPORT THE FOLLOWING.
- I understand that salmon and steelhead are an integral part of life in the Northwest.
- I urge you to prioritize salmon in your river management plans.
- I voted for President BIden largely because of his Environmental Policies. I THOUGHT we could trust his administration to do the right thing. As you know, Salmon and steelhead are an integral part of life in the Northwest.
- i want the salmon populations restored - humans have taken everything from them in the process of damming rivers
- I would ask for you to seek in your heart the importance of wildlife balance and the resources it provides for generation after generation. We have to use careful measures to retain and grow further the salmon population to help nearby tribes, peoples, and animals flourish. Please take this message seriously, as it's up to us as a humanity to help maintain and grow wildlife for years to come. Thank you!
- I write as a concerned mother who believes in a sustainable planet. We need swift action now!
- I write as an American who is deeply concerned about wildlife conservation and the environment

- I just wrote to you sharing my concerns about BPA not factoring salmon health into the Provider of Choice policy. In addition to my request that you factor salmon health into your plans, I also urge BPA to adopt the following standards for these long-term contracts for our public utility customers
- I’m a resident of Scottsdale, Arizona. The BPA’s Draft Provider of Choice contract policy requires serious revisions.
- I’m writing to urge you to take the necessary action to protect salmon and steelhead
- Idahos ecosystem is too important to pass up.
- If ever there were an intrinsic component of an ecosystem it is the salmon of the Northwest - a component that our actions have brought to near extinction. It is therefore on us to immediately do everything possible to support the salmon's recovery - no matter the financial cost or human inconvenience.
- If those alive fifteen or more years from now are to have a decent life on a healthy planet, we must do everything possible today to restore and protect the environment and halt global warming. We know what the problems are and we know the solutions. You can implement a solution to restore salmon and steelhead populations which are integral part of life in the Northwest
- I'm 80 years old, and I lived in Spokane County, Washington for 27 years. I've been writing about this issue for four decades. Take the four dams out and restore the lower Snake!
- I'm 86 years old today, and I'm sick of waiting for responsible management of rivers and streams in this country.
- I'm a fishing enthusiast & seafood lover.
- i'm a native of the Pacific Northwest and my family has lived there for nearly two centuries as wheat farmers in Eastern Washington. I live in CA now (work related) but still visit often. I grew up as Orcas being a symbol of the PacNW. But, with the decline of Salmon, so declines the essence of the Pac NW - so much of the art - lots of it inhabiting Sea-Tac airport. It's not too late. We have too many people on the planet. We can't fix that quickly. But, we can try to maintain a planet, that once we solve the bigger issues of consumption isn't so ravaged that it can't come back. I agree with the below pre-written statement and urge you to follow the recommendations.
- I'm writing on behalf of myself and my children. I'm thinking about our energy needs and the future of the planet. My son has a favorite shirt that says "save the whales, save the world".
- In my opinion, Salmon and steelhead are an integral part of life in the Northwest.
- It is a fact that salmon and steelhead are an integral part of life in the Northwest
- It is clear, obvious and necessary that this river needs to be restored- opem to the natural flow that supports salmon, the surrounding native communities, and other ecological presence. DO WHATEVER IT TAKES TO HAVE HEALTHY FISH IN THAT AND ALL AMERICAN RIVERS. aLL OF OUR LIVES ARE DEPENDENT ON HEALTHY RIVERS.

- It is essential that we protect salmon from extinction. And we need to do it before it is too late.
- It is far past time to save Idaho's salmon. As a child I would stand on the banks of the Salmon River at Indian Riffles north of Stanley and marvel at the masses of spawning salmon. so many that if you could have frozen the moment you would be able to cross the river on their backs without getting your feet wet. Then came the construction of the lower Snake River dams and the steady decline of the salmon run. I worked 50 years as a guide on the rivers of Idaho and witnesses the appalling loss of our salmon. The millions of dollars spent to try to keep the salmon from extinction has been ineffective. It is far past time for the removal of the dams. Dam removal is the only way to save our salmon and has proven quite effective on other rivers. We have to realize the importance of acting now before it is too late.
- It is past time that you should get your act together. BPA & COE have wasted billions of taxpayers and rate payers dollars trying to avoid planning for replacement of the four Lower Snake River Damns with clean and renewable energy and the other benefits from the dams. It's possible and the cheapest way to save the salmon and save money also. Therefore BPA must make meaningful plans for the removal of the dams and replacement other benefits.
- It is time to rethink and replace the many systems that no longer work for us.. Remove the 4 dams on the Snake river.
- It is time to save the salmon and steelhead!!!!
- It’s simple - remove the damn dams! Save the Salmon.
- It’s time to do the right thing and put your priorities on healthy ecosystems and saving species.
- IT'S A WIN-WIN PLAN! Let's allow salmon to more easily access spawning grounds by removing four dams, and Native Americans to sustainably harvest natural resources as they have done for thousands of years for commerce and feeding their families. In turn, BPA will continue to provide hydroelectric power to customers.
- It's time to change perspective.
- Its time to remove these dams - for the betterment of wildlife, and the environment. Its time!
- I've been to the Snake River. Kayaking. So this is personal. It is incredible country, but needs our attention to keep it that way. Please read on.
- I've lived my entire 72+ years in western WA. I don't need to tell you how vital it is to preserve & protect our beloved environment. I now live in Sequim, the Elwha dam is gone, the environment is recovering. No doubt we need to continue restorations. It's THE RIGHT THING.
- Let the salmon live!!!
- Let’s be stewards of Snake River salmon because Salmon and steelhead are an integral part of life in the Northwest.

- Let’s protect ALL species and retain their habitats. Once the permafrost thaws past a certain point then the temperature of the Ocean will rise such that plankton will die off leading to an oxygen poor atmosphere starting above sea level.
- Let’s save salmon and save jobs!!
- Let's act promptly to save the salmon!!
- Let's get this done.
- Like just about everything else regarding wildlife and sea life, man's actions have created the path to destruction of these lives. Snake River dams need to come down. Use solar thermal wind as a replacement but start the process NOW!
- Listen to First Americans! SAVE THE SALMON!!!
- Look, I’m an active member of 350nm. Hydroelectric provides great backup power to solar and wind renewables, but not at the expense of salmon populations. The dams need to be removed. Ward.
- Luckily, we don't have to choose between clean, reliable electricity and abundant, wild, healthy salmon. With responsible planning that incorporates both fish needs and the reliability of electric supply we can and must ensure that our electric power does not come from thee cost of our salmon.
- My family and I have always been in awe on the life cycle of the salmon. What an incredible journey this creature makes! Isn't it amazing how, after several years, they return to the river where they were born, and swim upstream to spawn? We think so, and also think removing dams to help support them is a great idea.
- My favorite fish dinner is salmon. However, this is way more important than any fish dinner. This is the livelihood of a species, a way of life, and an ecosystem. Please do whatever it takes to make it right for this species and this river again - now that we realize the consequences of our past mistakes.
- My heart hopes SO much that the right thing is done so that ALL living can live their life.
- My name is Patrick Vogelsong, I live in Harrisburg, PA 17103. I am writing to express my strong support for the removal of dams blocking salmon migration.
- My name is Sarah Askey, and I'm a citizen from Anacortes, WA who is really concerned about the interlocking crises of climate change and biodiversity loss. I just wrote to you sharing my concerns about the fact that the BPA is currently not factoring salmon health into the Provider of Choice policy. However, there's only so much space in this comment box, so I'm submitting another comment with a few more requests.
- My name is Scott Hudson, and I went to college at Lewis & Clark in Portland, Oregon. Therefore, I am familiar with the complicated issues associated with dams on the Snake River. I value the unique northwest ecosystems and the flora and fauna that are part of it
- Now is the time to rebuild America's biological infrastructure. Salmon stocks are a renewable economic and ecological resource - rebuilding their populations would be a boon for both the economy and the environment

- Now more than ever my husband and I fear for the future of our two daughters. We need to consider how our actions today impact not only us, but our children and future generations. Please ACT NOW to protect salmon and steelhead!! Our kids are counting on us to make the choices today that give them a chance for a productive and healthy future tomorrow.
- On every level, the US and global democracies carry the worldwide responsibility of saving the planet. Which means creating co-existent policies that support businesses and jobs simultaneously protecting our natural resources and wildlife that humanity and ecosystems rely upon for survival. We MUST take hard steps to push business interests into adjusting their attitude about our resources! Only the Federal Government carries the weight to hold business to a higher standard so that we can survive into the future with clean water, air, power, and food.
- Our children have asked us to do much more to secure a clean energy future for them, thus ensuring they even have a future. There is a direct link to doing so while yet safe guarding the future of all living things on this planet. They and we know time has run out on debate. Greed and the thirst for power by politicians who ignore the best sound science can not be our children's legacy left by us. We're all in this together. It's time to transition the grid to clean sustainable energy and time to save what species are still left intact.
- Owning a farm that installed solar power generation, I am aware that hydroelectric power generation DOES NOT have to continue to be utilized for electricity. Preventing the extinction of salmon is critical now, not some time down the road.
- Pacific Northwest river dams have provided hydroelectricity sold by BPA. The economic value this has meant in the past is no longer viable: salmon are on the brink of extinction, and people need salmon for keeping forests healthy with a natural source of nitrogen. We need salmon as for nourishment. And we have a legal obligation to honor treaty rights to tribes whose entire cultures are based on the salmon. In the 21st century, with affordable wind and solar energy , we do not have to choose between clean, reliable electricity and healthy and abundant wild salmon. With responsible planning that incorporates both fish needs and the reliability of our electric supply, we can and must ensure that our power does not come at the cost of our salmon. This responsible planning—incorporating both fish needs and reliable, clean electricity—needs to be front and center in BPA's draft Provider of Choice contract policy. Specifically, BPA's draft policy must be revised to: 1) include necessary changes in hydrosystem operations to restore healthy and abundant salmon and steelhead. Salmon need more spill, cooler waters, and more flow to pass the dams and reservoirs as safely and quickly as possible. And these needs will increase significantly as climate impacts worsen. Meeting these critical fish needs will impact the output of the hydrosystem, and this impact does not have to be disruptive if BPA builds these system operation changes into the Provider of Choice contracts and plans ahead to meet the dual challenge of

providing reliable, clean energy and restoring healthy and abundant salmon. 2) Both now and in preparation for the Provider of Choice contract period, BPA must plan and prepare for lower energy output from the Federal Columbia River Power System in pursuit of these critical goals. The final contract policy should lay this assumption out clearly as it summarizes the emerging landscape and plans for future resource acquisition to offset and augment current and future federal hydroelectric generation. 3) The final Provider of Choice Policy should guarantee meaningful stakeholder engagement in implementing the policy. BPA's definition of "stakeholders" should extend far beyond BPA's electric utility customers: direct consultation with Northwest Tribal nations must be a part of both the contract policy development and implementation.

- Pamela and I want you to know that salmon and steelhead are an integral part of life in the Northwest.
- People can adapt their sources and uses of electricity. They cannot create a new salmon population if they destroy the existing one. The constant in our policy should be protection of wildlife
- PERSONAL NOTE: IN THE NAME OF ALL CREATION!!!!! REMOVE THE DAMN DAMS!!!!! OUR RIVERS ARE ARTERIES... MOST IDIOTS KNOW IF THEY PERMANENTLY TOURNIQUET A LEG OR ARM THEY WILL DIE...!!! WAKE UP!!!!!!!!!!
- Please ! Salmon and steelhead are an integral part of life in the Northwest.
- Please account for the priorities of Salmon in your draft Provider of Choice contract policy. It is my opinion that we are all animals on this earth, and the lives of the Salmon affected by your dams are no less important than lives of the humans consuming the power provided by the dam. Please try and do the best you can for both.
- Please be sure that all stakeholders - including salmon and other wildlife - are included in your Provider of Choice contract policy for the Snake River and its dams.
- Please consider removing some of the more "temporary" parts of at least the four lower Snake River dams as a start to mitigating the damage done to wild salmon and to he many cultures and beings who rely on them, Native tribes, fisheries, tourism, local economies, Orca and the rest of the critters in the Salish Sea. While your intent to provide electricity to a growing population is admirable, it must be balanced by environmental and social costs and by new reliance on other more sustainable energies. Show you're are listening and in good faith begin to lessen your past impacts in whatever ways you deem most feasible
- Please continue to consider and include all the impacts and needs of those affected by the hydroelectric activity, not just the profits of the power company. The people of the Northwest Tribes as well as the salmon themselves are crucial entities in the long term and overall health of the ecosystem at large; please move forward in a balanced and inclusive way. Thank you for your time.

- Please do everything possible to save salmon and steelhead populations in the Northwest. The Northwest is an incredibly rich area, full of wildlife diversity and beautiful landscapes. But the wildlife and local peoples depend on the salmon coming upriver, and the dams on the lower Snake River have put them on the brink of extinction. Removing dams on the lower Snake River can prevent this IF you do it soon enough! Please do this and do it soon! Do not risk the loss of the salmon and steelhead, and the resulting impoverishment of the ecosystem.
- Please do everything that you can to help the natural world stay as natural as it once was, we owe it to them.
- PLEASE do not let down the vast number of Americans—both indigenous and transplanted— for whom salmon or steelhead dinners are a vital source of protein. My own family has been moving gradually westward over a number of decades. We treasure wild salmon and the diversity this fish brings to the communities who rely upon it. We are sure you can find an acceptable way to supply electricity and at the same time allow the salmon population to rebound.
- Please do the right thing ❤️.
- Please do what you know to be morally responsible. Please protect our environment and animals. Thank you
- Please ensure salmon are taken into account when planning hydroelectric plants
- Please free the Snake!
- Please free the snake, cool the waters, and save the salmon. There is no going back in time to change course or undo the consequences. Do the right thing now for a better future. There isn't much time.
- Please give salmon and steelhead a chance
- PLEASE HELP SAVE OUR BEAUTIFUL WILDLIFE!!!
- Please help save our salmon from extinction.
- Please help save our salmon!
- Please help save these beautiful fish that have such meaning for ecosystems and nature. Most importantly, humans have a responsibility to preserve wildlife and wild places for them to live in and prevent species extinction. Protecting nature in its natural environment is a top priority to me.
- PLEASE HELP STOP A DISASTER!
- Please incorporatie both fish and reliable, clean electricity—in BPA's draft Provider of Choice contract policy. Thanks for the opportunity to express my thoughts
- Please it's time to get these dams removed. Let's just do it.
- PLEASE pay attention: we are watching what you do.
- Please read and be a voice for these creatures!
- Please read this link. https://www.americanrivers.org/river/snake-river/
- Please read: https://www.eopugetsound.org/articles/whales-our-waters-economic-contribution-whale-watching-san-juan-county

- PLEASE REMOVE THE DAMS SO THAT THE SALMON AND ALL ECOSYSTEMS CONNECTED WITH THEM DON'T GO EXTINCT OR BECOME SEVERELY COMPROMISED.
- Please remove the Snake River dams and restore the continuity of stream flow to allow salmon to migrate upstream to their spawning grounds, and downstream to the ocean. The flow of water is vitally important to the health of the Snake River and it’s watershed including our fishery resources (especially wild salmon) and spiritually important to the people of our nation.
- PLEASE SAVE OUR SALMON AND STEELHEAD NOW!
- Please save the salmon and do the right thing for the ecosystem it must survive in!!
- Please support our fish! Thank you!
- Please support this.
- Please take action to save salmon from extinction!
- Please take measures to save our anadromous fish before it’s too late!
- Please take seriously the needs of salmon and steelhead that are the foundation of an entire ecosystem.
- Please take time to read my brief statement. It is critically important to me and many other Americans.
- Please think about the future of this important ecosystem.
- Please think about the kind of world that we are leaving our children and grandchildren
- Please you guys. We can make up any shortfall in energy by alternative means, but we cannot bring back an extinct salmon run. Please, there's tons of money available to you for alternative energy sources.
- Please, do the right thing !
- President Biden recently called for “a sustained national effort to restore healthy and abundant native fish populations in the [Columbia and Snake River] Basin.” Accordingly, BPA should be planning and preparing for lower energy output from the Federal Columbia River Power System in pursuit of these critical goals. The final contract policy should lay this assumption out clearly. Thank you for your unselfish service to our nation.
- President Biden recently called for a sustained national effort to restore healthy and abundant native fish populations in the Columbia and Snake River Basin. The most important thing we can do to achieve this is to remove four dams on the lower Snake River, allowing salmon to migrate quickly and safely to and from the remaining salmon habitat.
- Protect the People and the Planet, not the corporations!
- Protect the Snake River!
- Redfish Lake in the Sawtooth NRA was named so for a reason - the abundance of red fish historically found there, but few remain thanks to us and our way of life. We - humanity - must do everything possible to bring fish back to the our wild places. Doing

so has a multitude of priceless benefits to us and all other species (137 at last count) that rely upon salmon for survival.

- Remember, if we save the salmon, we also help orcas, bears, and other wildlife too. Thank you for your efforts restoring the rivers of life.
- Removal of dams!
- Remove the damn dams on the lower Snake River.
- Republicans are nazis and are killing nature to murder the humans aka us
- Responsible planning incorporates healthy and abundant wild salmon as well as the reliability of our electric supply. This responsible planning is woefully absent in BPA's draft Provider of Choice contract policy.
- Responsible, planning—incorporating both, fish needs and reliable, clean electricity—is, woefully, absent in "BPA"'s, draft, "Provider of Choice", contract, policy! With, responsible, planning that incorporates, both, fish needs, and, the reliability of our, electric, supply, yo can, and, MUST ensure that the power does not come at the cost of salmon!
- Restore natural ecosystems? YES!
- Restore the Snake River and bring us hope!
- Restore the Snake River. People depend on it.
- Salmon and steelhead are a VERY BASIC, and integral part of life in the Northwest
- Salmon and steelhead are indispensable to the culture and way of life for the Northwest Tribes. We don't have to choose between clean, reliable electricity and healthy and abundant wild salmon if we PLAN WELL. Unfortunately, it seems that INTELLIGENT PLANNING IS NOT IN THE BPA's draft Provider of Choice contract policy. IF YOU DON'T PLAN WELL, WE WON'T SEE SALMON OR STEELHEAD FISH IN THE FUTURE. THAT'S SOMETHING *NO* AMERICAN WANTS TO SEE HAPPEN. BPA's definition of "stakeholders" HAS TO EXTEND BEYOND a small group of people, e.g., its electric utility customers.THE WHOLE must be considered, otherwise, it will FAIL THE MISSION OF SAVING WHAT IS MOST PRECIOUS: LIFE. Direct consultation with NW Tribal nations must be a part of both the contract policy development and implementation. BPA's policies have wide-ranging impacts across the region, and BPA should seek and welcome feedback from this broad range of impacted governments and stakeholders.
- Salmon are an essential factor of our economy Those fish and steelhead are also an integral part of life in the Northwest.
- Salmon in the Pacific Northwest are in crisis, along with the systems they support. Federal dams on the Columbia and Snake Rivers have taken an enormous toll on these iconic species, and now many salmon populations are perilously close to extinction. The best science shows that the single most important thing we can do to save these fish is to remove four dams on the lower Snake River — allowing salmon to migrate quickly and safely to and from the best salmon habitat remaining in the lower 48 states. That's

why Earthjustice has been pushing to remove these dams for decades, alongside Native American Tribes and others who rely on salmon.

- Salmon in the Pacific Northwest are in crisis. Federal dams on the Columbia and Snake Rivers have taken an enormous toll on these iconic species, and now many salmon populations are perilously close to extinction.
- Salmon in the Pacific Northwest are in crisis. Federal dams on the Columbia and Snake Rivers have taken an enormous toll on these iconic species, and now many salmon populations are perilously close to extinction. The best science shows that the single most important thing we can do to save these fish is to remove four dams on the lower Snake River — allowing salmon to migrate quickly and safely to and from the best salmon habitat remaining in the lower 48 states.
- Salmon provides JOBS.
- Save earth
- Save our fish.
- Save the Salmon!. Tear down the damns!
- Save the salmon!
- Save them now!
- So many people, including Native Americans and fishermen, are dependent upon healthy salmon populations.
- SOS!! Save our salmon. This is a good plan worthy of your supporters.
- STOP dragging your feet and REMOVE these dams already!!
- Take down all of the damn dams along the Snake River so the salmon and steelhead can thrive again!
- Thank you for accepting input from concerned naturalists and the environmental advocacy community!
- Thank you for reading and taking to heart this important message!
- Thank you for taking the time to read this.
- The Biden administration seems committed to always putting corporate profits above people and the environment. Please respect Tribal rights and all those who rely on salmon.
- The breaching of these dams will allow more salmon to return to their spawning grounds, which in turn will provide the orcas with a much-needed food source. The current amount of salmon available to the orcas is low and insufficient, and the breaching of the dams will provide a significant boost to the salmon population in the area. A 2015 study found that the birth of nine calves would require at least 30,000 more Chinook per year, and if wild and hatchery Snake Chinook fall below current levels, the orcas' diminishing numbers will certainly have an impact on viewership and economic benefits. The four lower Snake River dams must be breached to restore the health and wellness of the southern resident orcas. Furthermore, breaching the dams would increase recreation and tourism opportunities, create jobs, and generate tax

revenue for the region. It is essential that action be taken to breach the three lower Snake River dams to restore the local economy and ensure the survival of the southern resident orcas. This increase in salmon will provide the orcas with a reliable and plentiful food source, helping to keep their numbers up and their population thriving.

- The dams are an impediment to thriving salmon which in turn has a profound effect on wildlife that need salmon to survive!!
- The economic benefit in the short run does not justify the enviro& human losses.
- The ecosystem in the Northwest needs salmon and steelhead, which are not only integral to life there, but the foundation of the entire ecosystem and economy
- THE EVIL HUMAN RACE NEEDS TO STOP HURTING THE PLANET AND ALL THE ANIMALS THAT CALL IT THEIR HOME!!!
- The four Snake River dams must be breached to save our salmon, our Indigenous tribes culture and the environment. No matter the cost.
- The greatest good is served only by preserving and protecting biodiverse natural systems on which all life depends and wildlife that inhabit them. Protect our natural heritage for wildlife and their future generations. There is no Planet B. There is no Second Nature. Wild Lives Matter!
- The hydroelectricity sold by the Bonneville Power Administration has provided economic value to the region but at an extraordinary cost to salmon, to fishing and other jobs, and most of all to Tribes who are at risk of losing the heart of their culture as salmon people if we allow wild salmon to become extinct. In his recent Presidential Memorandum, President Biden called for "a sustained national effort to restore healthy and abundant native fish populations in the [Columbia and Snake River] Basin." Both now and in preparation for the Provider of Choice contract period, BPA should be planning and preparing for lower energy output from the Federal Columbia River Power System in pursuit of these critical goals. The final contract policy should lay this assumption out clearly as it summarizes the emerging landscape and plans for future resource acquisition to offset and augment current and future federal hydroelectric generation.
- The hydroelectricity sold by the Bonneville Power Administration has provided economic value to the region but at an extraordinary cost to salmon, to fishing and other jobs, and most of all to Tribes who are at risk of losing the heart of their culture. Salmon in the Columbia River are on the verge of extinction.
- The paragraph below speaks of the great value of salmon to us. I want to point out that the salmon are valuable to themselves and their immediate relatives. We have no right to consign any species to extinction.
- The salmon and steelhead crisis cannot be overstated because they are an integral part of life in the Northwest

- The science is clear: Removing the lower Snake River dams and replacing the services they provide is our best chance to stop salmon extinction. It is essential in any comprehensive plan. What are you waiting for?!
- The steadily dropping costs of solar and wind generated electricity make possible things we could not imagine a decade ago, things that will dramatically improve the lives of Americans and Indigenous Americans. Let me explain
- THE TIME IS NOW!!!
- The waters are as important as the earth that we walk upon daily. So easy to ignore the situation of species beyond our own
- There is no existential threat of extinction of Steelhead and Salmon. If you look at the records of the last 3/4 of a century from the Oregon Department of Fish and Wildlife you will find fish counts variable, but, remarkably stable though the last almost 80 years of counting. Fish Counts at Major Dams and Fish Traps https://myodfw.com/fish-counts-major-dams-and-fish-traps. If the good people of the Puget Sound area wish to breach dams and increase natural salmon habitat encourage them to remove the Ballard Locks. Encourage them to return lakes Union and Washington to there natural state. Put their back yard in order. Have them remove their roads, homes, businesses. Reestablish the streams of King County all back to the natural state of 200 years ago.
- These dams must be removed. If salmon can't get to their spawning grounds there will not be any more salmon. That leads to starving whales and starving bears and numerous other species starving including humans who depend on salmon fishing for their livelihood. Please act responsibly and remove the 4 dams that are causing the issue.
- This ecosystem of salmon and steelhead are a critical food source, economic source to the Pacific Northwest and our country as a whole. The loss of any species can trigger the loss of multiple species to follow. Removing these dams can save these species from extinction. No brainer. Complicated yes, but totally worth it. Lets think long term and do what we can to preserve them
- This expresses my feelings exactly!
- This is important to the biodiversity of the world. And to the economy.
- This is probably one of the most important issues for the Pacific Northwest and for our world! It’s time to repair the damage we have done.
- This is so clearly needed.
- This is such an important issue that we cannot understand why you are dragging your feet. It is past time for you to do the right thing for the people of the Northwest and for the planet!
- TIME TO STOP POISONING OUR PLANET.
- Urgent plea Your action is important to protect salmon and our future.
- We all are aware that salmon and steelhead are an integral part of life in the Northwest.
- We all know that salmon and steelhead are an integral part of life in the Northwest.

- We are an intelligent nation - we can help the native species and derive power....let's do the right thing. The details you already know.
- We are at a tipping point—maybe even beyond it. Our ecosystem supports us all—we are all connected. It is time to open to this idea and act now. Diversifying power sources is protective for Bonneville and the environment, especially with climate change and less rain.
- We are in the midst of a human caused climate crisis that is driving many species to extinction. We need to do everything possible to save all the species we can.
- We are slowly killing everything wild and it is time to stop.
- We are suppose to protect this Earth, if we don't, no one else will.
- We can and must ensure that our power does not come at the cost of our salmon in the Columbia and Snake River Basin. BPA's draft Provider of Choice contract policy fails to simultaneously address both the needs of fish alongside the need for reliable, clean electricity.
- We can save the salmon, f you act now.
- We cannot afford to play zero sum games between the lives of all other living beings on our planet and human needs. We must find win-win solutions, which only require sincere negotiation and compromise. Where there is a will there is a way.
- We don't have to choose between clean, reliable electricity and healthy and abundant wild salmon. With responsible planning that incorporates both fish needs and the reliability of our electric supply, we can ~ and must ~ ensure that our power does not come at the cost of our salmon.
- We face big dual challenges as a region. We must decarbonize our energy system rapidly to meet our climate goals established by the states of Washington, Oregon and the Biden Administration. We must also modify the operation of our hydro system to restore abundant, healthy salmon runs and meet our treaty rights responsibilities as President Biden stated in his Sept. 27th announcement. Fortunately, we have the ability to do both but we must act quickly, boldy and use all the tools at our disposal to accomplish these mutually important goals
- We have already destroyed too many species and ecosystems.
- We have so many problems in this country you do not need to make them worse by allowing one of the healthiest food sources to be taken from us.
- We know you know, so we beg you to help:
- We love fishing - and want to conserve our fisheries
- We must protect all remaining biodiversity while we have this unique historic moment, as well as bring back habitat for species that have a chance to recover.
- We MUST protect our environment!!!
- We must quickly focus on the solution to this fixable problem!
- We must think long term Extinction of this species or any species can trigger multiple species loss.

- We must think long term. loss or Extinction of the salmon and steelhead would be a loss of food source and economic loss to the Pacific Northwest as well to the entire country. Loss of any species can trigger multiple species loss. Removal of these dams should be a priority. Alternative power resources are available. Alternatives to salmon and steelhead not so.
- We need responsible planning—incorporating both fish needs and reliable, clean electricity.
- We need salmon and steelhead trout. Please remove the dams.
- We need the salmon and steelhead!
- We need to rectify the irresponsible policies of the 1950s and 60s that caused these stupid dams to be built and alter nature for decades.
- We should not have to choose between clean, reliable electricity and healthy and abundant wild salmon. With responsible planning that incorporates both fish needs and the reliability of our electric supply, we can and must ensure that our power does not come at the cost of our salmon. This responsible planning—incorporating both fish needs and reliable, clean electricity—is woefully absent in BPA's draft Provider of Choice contract policy. Utility companies in the Pacific Northwest need to plan ahead to meet the dual challenge of providing reliable, clean energy and restoring healthy and abundant salmon.
- WE SHOULD NOT have to choose between salmon and electricity. There are people who depend on both, and the outlines of the solution have been obvious for years. It's time to implement a plan that preserves them both
- What are you waiting for? The salmon population is endangered, and with it, the way of life of the Northwest Tribes! Enough delays! Breach the dams!
- WHAT IS WRONG WITH EVERYONE NOT SUPPORTING THE ENVIRONMENT? SELFISH GREEDY DIRTY CORRUPT CORPORATIONS NEED TO BE PUNISHED, FINED, SHUT DOWN IF NECESSARY AND PROSECUTED UP TO AND INCLUDING PRISON TIME! WE ONLY HAVE ONE EARTH! START ACTING LIKE IT! STOP LETTING THESE ENVIRONMENTAL CRIMINALS GET AWAY WITH KILLING OUR PLANET!
- When my family and I took a trip "out west", we stopped beside rivers to camp. I remember the Snake River, probably because of its unique name. Now I read about the wonderful fishing in that region
- Who doesn't love salmon?
- Why don't you install dams that allow for salmon to migrate?? There are solutions for this, like fish ladders. https://www.manchester.edu/about-manchester/Manchester-University-News/news-articles/2017-news-articles-page/fish-ladder-2017 Why are people so short-sighted when it comes to the environment?
- Years ago I was a college student majoring in biology. I spent my summer working for BLM and one of my duties was collating the numbers of salmon swimming up the Columbia and Snake Rivers basin

- You and we all know and understand that salmon and steelhead are an integral part of life in the Northwest.
- You can do this! Help protect salmon and their natural habitat. Good for them and good for us too.
- YOU CAN MAKE THE DIFFERENCE.
- YOU KNOW WE NEED SALMON TO KEEP OUR ECOSYSTEM FUNCTIONING. WHY QUESTION WHETHER TO UPHOLD PROTECTIONS ? JUST DO IT!!!
- Your proposed policy is inadequate to address the needs of the environment, indigenous peoples for whom the steelhead salmon are an integral part of life, local communities, and the general public. It appears you are greenwashing, protecting your own interests and ignoring the other stakeholders by attempting to pass off your Draft Provider of Choice as comprehensive plan that will serve all. Shame on you .

Appendix D: ROD Revision History

Bonneville identified minor edits after the ROD was published on March 21, 2024. Changes are identified in the table below.

Date Updated	Page Number	Change
March 26, 2024	156	Updated quoted Policy language to align with changes made to fourth paragraph of Section 2.4.2.5.
April 17, 2024	32	Added hyphen to comment reference.
	73	Added missing "at" to a sentence.
	88	Corrected to read 5 MW not 5 aMW. Updated comment reference to correctly read POC-022-Mason-3.
	130	Fixed text color and style.
	200	Updated words "represents a" to clarify language.
	214	Removed parentheses on comment reference.
	221	Removed parentheses on comment reference.
	226-227	Fixed text color and style.
	264	Removed parentheses on comment reference.
	272-273	Removed parentheses on comment reference.
	281	Removed sentence "Specifically, 14% of RECs were provided to IOUs as part of the 2012 Residential Exchange Program (REP) Settlement."