



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

December 16, 2022

In reply refer to: A-7

Subject: Bonneville's final decision to participate in the Western Resource Adequacy Program Phase 3B

To: Interested persons, customers and stakeholders:

The Bonneville Power Administration (Bonneville) has completed its public process to evaluate participation in the Western Power Pool's Western Resource Adequacy Program (WRAP). After considering public comments on our Draft Closeout Letter and from our decision process meetings, Bonneville has decided to join WRAP's binding program and is electing Winter 2027–2028 as its first binding season.

WRAP is the product of a proactive effort by the region to address concerns driven by climate change, thermal plant retirements and additions of intermittent, non-dispatchable resources. The WRAP initiative will take advantage of and maximize regional diversity in resources and load, enhancing capacity reliability for customers across the program footprint. The program has developed common planning metrics to increase transparency into resources and transmission needed to reliably supply power to meet existing and future load demands. These metrics have been tested as part of Phase 3A's non-binding program, in which Bonneville is currently participating.

In Phase 3B, the fully binding program, WRAP participation will require compliance with those metrics, providing a shared foundation to maintain reliable operation of the system. By holding each participant accountable, the expected program benefits include greater reliability and situational awareness, as well as potential cost and resource savings through diversity benefits.

Bonneville's participation in Phase 3A's non-binding forward showing program has provided experience and knowledge to inform this decision to join the binding program. Throughout our participation in the WRAP initiative, we have shared our evaluation and consideration of the finalized program design and sought feedback from our customers and stakeholders. I appreciate the thoughtful feedback and questions we received from our customers and stakeholders on our Draft Closeout Letter, posted on October 19, 2022, as well as our decision process meetings held on September 13, September 29, and November 1 of this year.

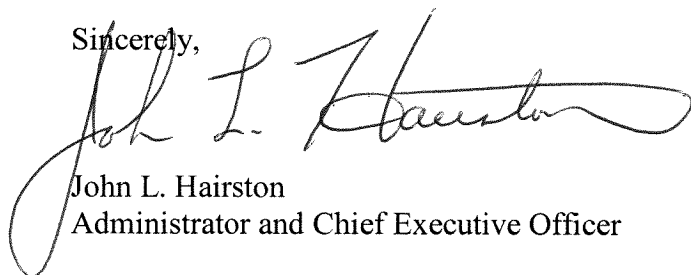
All the commenters on our Draft Closeout Letter and WRAP decision process generally expressed support for the program and Bonneville's continued participation in the binding program, but some raised issues for Bonneville's consideration. A number of commenters also raised concerns about how Bonneville would meet its statutory obligations in the program, including statutory preference obligations. Bonneville staff engaged with our customers,

interested parties, and the Western Power Pool to resolve these concerns, which we have addressed in this Final Closeout Letter.

Additionally, commenters expressed uncertainty in the program since many implementation details have yet to be developed. I am confident that our continued participation will provide us with the opportunity to gain an understanding of the program and address our customers' remaining questions. We will continue our stakeholder engagement on WRAP through our first binding season to discuss and address our customers' concerns and update them on the results of Bonneville's participation in the program. The details for the specific questions raised by customers and our plan to resolve them through continued engagement are laid out in this Final Closeout Letter.

I am encouraged by the collaboration of the Western Power Pool, the Southwest Power Pool as the program operator, and our fellow participants in Phase 3A. I am also encouraged by the direction of the program design and governance proposal, as documented in a tariff filed with the Federal Energy Regulatory Commission in late August, and look forward to the approval of the tariff in the near future. Furthermore, participating in the program strategically positions Bonneville as it evaluates day-ahead market opportunities. Ultimately, I believe that by continuing to work together, we can unlock additional value from the federal hydropower and transmission systems and enhance the reliability of the region's power supply, all of which benefit our utility customers and their ratepayers.

Sincerely,

A handwritten signature in black ink, appearing to read "John L. Hairston". The signature is fluid and cursive, with a long, sweeping underline that extends to the right and then loops back under the name.

John L. Hairston  
Administrator and Chief Executive Officer

*Final Decision***Re: Bonneville’s decision to participate in the Western Resource Adequacy Program Phase 3B**

Over the past three years, entities in the West have come together through an initiative facilitated by the Western Power Pool (WPP) to scope and develop a resource adequacy program known as the Western Resource Adequacy Program (WRAP). Participants in this initiative are currently participating in a non-binding phase of the WRAP initiative, which WPP is administering for informational purposes with the goal of ultimately moving to a fully binding program. The initiative is now at the stage where participants must evaluate whether to commit to participating in the binding program (WRAP’s Phase 3B).

On October 19, 2022, Bonneville published its Draft Closeout Letter with a proposed decision to become a binding participant and gave the public an opportunity to submit comments until November 17, 2022. Bonneville received 10 comments<sup>1</sup> that generally support Bonneville’s binding WRAP participation, but also raise several concerns for Bonneville’s consideration. This Final Closeout Letter discusses Bonneville’s consideration of public comments and memorializes Bonneville’s final decision to become a binding WRAP participant, subject to certain contingencies explained below.

The energy industry is rapidly changing due to decarbonization in multiple sectors (e.g., energy, housing, and transportation) as the region confronts climate change and as energy markets grow and evolve. Traditional, carbon-intensive resources are being replaced with cleaner, renewable resources that have different generation attributes, profiles, and impacts on the interconnected energy grid than their predecessors. Those engaged in planning for and meeting regional electricity loads, as well as those developing energy markets and policy, must address these developments in a decentralized and diverse regional grid with changing resource mixes, transmission constraints, increasingly extreme weather events, and a mix of different federal and state policies on energy development, carbon, and transmission.

With all of these factors at play, Bonneville fully supports the development, implementation, and use of resource adequacy standards in the region and broader Western Interconnection. Bonneville believes that a program designed to address resource adequacy challenges, while enhancing generation reliability in the region, is essential and timely. Moreover, Bonneville believes a regional resource adequacy program offers the potential for (i) making additional capacity available to Bonneville (if and when needed) for use in supplying its customers’ load, (ii) assuring above-market value compensation when Bonneville makes capacity available to

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<sup>1</sup> Bonneville received comments from Alliance of Western Energy Consumers (“AWEC”), Eugene Water and Electric Board (“EWEB”), Franklin PUD, NLSL Group (Umatilla Electric Cooperative, Northern Wasco County PUD, Grant PUD, Pacific Northwest Generating Cooperative (“PNGC Power”), Emerald PUD, and EWEB), Northwest Requirements Utilities (“NRU”), Public Utility District No. 1 of Snohomish County (“Snohomish PUD”), Public Power Council (“PPC”), Tacoma Power, Western Power Pool (“WPP”), and Western Public Agencies Group (“WPAG”).



others through the program, and (iii) creating an opportunity to broaden and enhance the value of available surplus capacity through new and existing markets.<sup>2</sup>

While Bonneville is committing to participate in the WRAP, its decision rests on certain contingencies. WRAP participation requires execution of a participation agreement that obligates its signatories to the terms of the WRAP Tariff. The WRAP Tariff requires participants to provide administrative program funding, follow program rules, be subject to financial liability for failure to meet program requirements, and participate in program governance. WPP filed the WRAP Tariff for review and acceptance by the Federal Energy Regulatory Commission (“Commission” or “FERC”) on August 31, 2022.<sup>3</sup> On November 21, 2022,<sup>4</sup> FERC issued a deficiency letter determining the WPP needs to provide clarifying information, and on December 12, 2022,<sup>5</sup> WPP filed an amended WRAP Tariff and response to FERC’s letter. Because the tariff proceeding is not anticipated to be complete by WPP’s decision deadline for participants to commit to joining the fully binding program, WPP has provided an interim solution to bridge the time period between the end of Phase 3A and FERC approval of the amended WRAP Tariff. This will include execution of a work order to ensure continuity of funding for the initiative and a memorandum of understanding in which participants will memorialize their commitment to the program and to work with each other and WPP to resolve any issues raised in the FERC proceeding.

Additionally, as discussed below, Bonneville’s WRAP participation will require a non-conforming participation agreement to accommodate its status as a federal entity. Thus, Bonneville’s decision to participate in the WRAP continues to be dependent upon the following two conditions: (i) the WRAP Tariff that WPP filed with the Commission is accepted by the Commission without modification that materially changes the WRAP Tariff in a way that is unacceptable to Bonneville; and (ii) a non-conforming participation agreement that is acceptable to Bonneville is filed with and accepted by the Commission. If these conditions do not occur, Bonneville would need to reconsider its participation.

This Final Closeout Letter sets out matters that Bonneville evaluated in reaching its decision to participate in the WRAP and is organized as follows:

- Part I provides background on the need for a regional program to address resource adequacy challenges.
- Part II offers an overview of the WRAP, including the Forward Showing and Operations Programs, WRAP’s governance, the deficiency and delivery failure charges, and the program’s tools for addressing uncertainty.

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<sup>2</sup> Note that references in this letter to Bonneville’s surplus power, within the meaning of its statutory preference obligations, are distinguishable from a WRAP participant’s surplus capacity as provided for under the WRAP Tariff.

<sup>3</sup> Submission of Tariff to Establish a Western Resource Submission of Tariff to Establish a Western Resource Adequacy Program of Northwest Power Pool d/b/a Western Power Pool, Docket No. ER22-2762-000 (Aug. 31, 2022) (“WRAP Tariff Filing”).

<sup>4</sup> Northwest Power Pool, Deficiency Letter, Docket No. ER22-2762-000 (Nov. 21, 2022).

<sup>5</sup> Northwest Power Pool d/b/a Western Power Pool, Docket No. ER22-2762-000 Response to Deficiency Letter, Docket No ER22-2762-001 (Dec. 12, 2022).

- Part III discusses the earlier phases of the WRAP initiative, including development of the program design and the administration of the Phase 3A Non-Binding Forward Showing Program.
- Part IV lays out Bonneville’s decision process.
- Part V discusses Bonneville’s business case for participation.
- Part VI addresses WRAP’s “transition period” and Bonneville’s binding season election.
- Part VII explains Bonneville’s expectations regarding the development and filing of a non-conforming participation agreement to address its needs as a federal entity.
- Part VIII analyzes Bonneville’s participation decision as applied to its participation principles.
- Part IX summarizes key environmental considerations.
- Part X explains program tools that mitigate risk of uncertainty and conditions that would apply to Bonneville’s final decision.
- Finally, Part XI provides a conclusion statement.

Commenters’ Feedback (*Bonneville’s decision to join WRAP Phase 3B*)

In general, commenters support the regional development of the WRAP and Bonneville’s proposed participation.<sup>6</sup> Commenters recognize a number of issues that require further analysis, as well as concerns that remain outstanding, including gaining additional understanding of the Operations Program as program rules are further developed and the need for further evaluation of program impacts with potential implications for Bonneville and its customers. Customers highlight the need to ensure that Bonneville’s participation in the WRAP is consistent with its statutory authorities and obligations, with a particular emphasis on Bonneville’s statutory preference obligations. Customers also seek to address concerns related to New Large Single Loads (NLSLs) and Above Rate Period High Water Mark (AHWM) loads using unspecified resources. While customers seek Bonneville’s ongoing stakeholder engagement to address the implications of its WRAP participation, feedback received is generally supportive of Bonneville’s proposed decision to become a binding participant in the program.

Western Public Agency Group (WPAG) supports Bonneville joining the WRAP with conditions such as the Commission’s approval of Bonneville’s non-conforming participation agreement, addressing questions regarding statutory preference obligations, ensuring no material changes are made to the WRAP Tariff, clarifying authority to be subjected to the WRAP deficiency and delivery failure charges, and customers having an opportunity to review and provide feedback on the non-conforming agreement.<sup>7</sup> Alliance of Western Energy Consumers (AWEC) and Public Power Council (PPC) both support the development of the WRAP but are withholding their support of Bonneville’s participation until Bonneville resolves questions regarding Bonneville’s ability to meet statutory preference obligations under the WRAP.<sup>8</sup> Northwest Requirements Utilities (NRU) does not oppose Bonneville’s further participation in the WRAP but wants a clear understanding of outstanding issues that Bonneville identified in its leaning for a late

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<sup>6</sup> See EWEB Comments at 1; Franklin PUD Comments at 1; NLSL Group Comments at 2; Snohomish PUD Comments at 2.

<sup>7</sup> WPAG Comments at 4.

<sup>8</sup> AWEC Comments at 2; PPC Comments at 7.

binding season.<sup>9</sup> WPP “applauds BPA’s release of its detailed and comprehensive Draft Decision Letter to join the WRAP for demonstrating regional leadership and for sending a strong signal to the region on the importance of prioritizing and addressing regional capacity adequacy uncertainty.”<sup>10</sup>

### Response

Bonneville appreciates the feedback received including support for Bonneville’s proposed decision to join Phase 3B of the WRAP. As part of its final evaluation and as reflected in this letter, Bonneville took into account the issues that relate to ongoing development of the WRAP and the unknowns related to Bonneville’s ultimate decision to join the program. Bonneville agrees that there are a number of matters outstanding, which will need to be addressed in Phase 3B, and Bonneville commits to continue engaging its customers as Bonneville begins participating in the next phase of the program.

### Conclusion

Bonneville will join WRAP’s binding program. Bonneville will continue to assess matters identified in this letter during Phase 3B as it gains experience with the program and develops information to analyze its participation. Bonneville will identify and report relevant program impacts to customers as part of its ongoing stakeholder engagement explained in this letter.

## Part I: Resource adequacy challenges and the need for regional coordination

In recent years, utilities within the Pacific Northwest and beyond have become increasingly concerned about having adequate resources and transmission capacity to reliably supply the power needed to meet existing and near-term load demands. These concerns have been driven in large part by retirement of base-load thermal generating facilities and growing development and use of non-dispatchable resources that may not be available at key times to meet system needs. Exacerbating fears about having insufficient power supply to meet existing and future load demands is the concern that the retirement of thermal generating facilities will diminish a spot market that Bonneville and others in the region rely on to supply load. Further adding to the concern is forecasted load growth due to expected electrification across the region, coupled with recent extreme weather events that have contributed to resource adequacy concerns across the country. In some cases, these extreme weather events have resulted in prolonged unplanned power outages and public health and safety crises, including events in California and in Texas in the last two years.

Several Western states, including Oregon and Washington, have passed clean energy laws requiring utilities to transition from relying upon fossil-fueled resources (predominantly used to serve base load) to non-carbon emitting energy resources to serve their retail loads. In recent history, new non-carbon emitting resources have been predominately wind- and solar-fueled variable energy resources (VERs). As these VERs come online and begin energy production, existing base-load energy resources are being called upon to balance the generation produced by these intermittent resources, and particularly to assure peak power demands are met. Recognizing the additional complexity that VERs bring to resource planning and the need to

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<sup>9</sup> NRU Comments at 1.

<sup>10</sup> WPP Comments at 1.

ensure the availability of reliable capacity to meet peak load events, there was growing support for a regional resource adequacy program.

Over the past three years, entities within and outside the region, including Bonneville, have come together through the initiative facilitated by WPP, to scope and develop a regional resource adequacy program as described in Part III below.

## Part II: Overview of the Western Resource Adequacy Program

The Pacific Northwest does not currently have a method by which the region coordinates to ensure the adequacy of resources and/or transmission used by entities serving load within and across balancing authority areas. Bonneville currently performs resource adequacy planning to assure itself of having adequate resources to supply power to meet its firm contractual power obligations based on the load for which it is responsible. The WRAP will create a standard, uniform resource adequacy planning methodology for participants that join within the entire WRAP footprint. The WRAP will be the first regional resource adequacy program operating outside of a FERC-approved regional transmission organization (RTO) or independent system operator (ISO). The objective is to ensure the WRAP footprint has sufficient generating capacity to adequately serve load under a variety of possible scenarios, and that participants are acquiring firm transmission rights to deliver that generation to load. The WRAP will implement programmatic mechanisms, the Forward Showing Program and the Operations Program, to assure adequate capacity is available for its participants.

### Overview of the WRAP's Forward Showing and Operations Programs

The WRAP is a generation capacity resource adequacy program designed to ensure there is adequate generating capacity available to meet load, tied with a threshold for needed firm transmission capacity from resources to load. The WRAP focuses on a winter season (November 1 through March 15) and summer season (June 1 through September 15). The WRAP is a voluntary program, but participants elect to become obligated to comply with the binding aspects of two distinct programs: (1) a Forward Showing Program that evaluates the capacity needed by each participant to meet a loss of load expectation objective of one event day in 10 years, with a minimum threshold for having firm transmission from participant's resources to load; and (2) an Operations Program that includes a multi-day assessment of each participant's operational situation (loads and generation resources) compared to the forward showing forecast of the same loads and generation resources, and obligating members with calculated surplus to assist participants who are deficit compared to their forward showing positions. The Forward Showing Program and the Operations Program are discussed in more detail below.

### Forward Showing Program

The Forward Showing Program load evaluation looks at each participant's P50 (or 1 in 2) peak load forecast, and adds a planning reserve margin (PRM) to it. The PRM is based on a probabilistic analysis that satisfies a loss of load expectation (LOLE) of not more than one event day in 10 years. This P50 peak load plus the PRM establish the participant's forward showing capacity requirement. Each participant then demonstrates that it has sufficient resources to meet that capacity requirement. Resources are evaluated using the program's qualified capacity contribution (QCC) methodology for each resource type as part of the forward showing. Forward showing data submittals, containing both the loads and resources, are submitted seven months in

advance of the start of each season (March for winter and October for summer). The forward showing submittal further requires a minimum 75% threshold for firm transmission rights from generating resource to load, which is documented as part of the forward showing capacity requirement. Following each forward showing data submittal, the program operator has 60 days to validate the submittal and issue any notices of deficiency. Participants then have 60 days to cure those deficiencies. Failure of a participant to cure any deficiencies (capacity or 75% minimum transmission threshold) would result in a deficiency charge, also known as a cost of new entry (CONE) assessment, described in more detail below. In order for a forward showing submittal to be valid, the WRAP Tariff requires that a senior official attestation be filed with the submittal, wherein the official affirms they have reviewed the submission and that the contents are correct as to the required data addressed in the submission.<sup>11</sup>

Annually, the WRAP will conduct the advanced assessment looking at years two and five in the future. The advanced assessment is the process that the program operator uses to collect historical load and resource performance data from each participant to conduct the LOLE assessment, calculate QCC for each resource type, and establish program PRMs.

## Operations Program

The Operations Program is designed to evaluate current load and resource forecasts against those submitted in the corresponding forward showing submittal for each participant, creating the mechanism to unlock the diversity of resources and loads over the large, collective WRAP footprint. As explained in WPP's Tariff filing with FERC, the objective of the Operations Program is simply to add a "method for updating each Participant's expected load, resources, and outages relative to the Forward Showing to determine the Participant's expected surplus or deficit position on the Operating Day."<sup>12</sup> The timeline for the Operations Program is set to begin seven days out from the operating day (or T-7 days). Each day of that operations period, participants submit updated forecasts of expected load, resources, and generation outages, and the program operator conducts a forecast of expected conditions for that operating day.

WPP focuses on a calculation for each participant, known as the sharing calculation, to determine whether the participant will be surplus or deficit relative to its forecast resource adequacy needs anticipated for the upcoming operating day.<sup>13</sup> The sharing calculation essentially defines when a deficient participant can call upon assistance from other participants in the program. In addition to showing which participants will be deficit according to the sharing calculation, the calculation also shows which participants will be surplus and can therefore provide an energy deployment to those participants that are deficit. This aspect of the Operations Program is known as the holdback requirement and energy deployment.

The holdback requirement is defined as a "MW quantity, as determined on a Preschedule Day, that a Participant is required to be capable of converting into an Energy Deployment on a given hour of the succeeding Operating day . . ."<sup>14</sup> Each participant is required to confirm to WPP both the request to have a holdback issued for them and then in the operating day if they wish to

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<sup>11</sup> Western Resource Adequacy Program Tariff, § 14.2.2, available at [https://www.westernpowerpool.org/private-media/documents/ER22-2762\\_WRAP\\_Tariff\\_Filing.pdf](https://www.westernpowerpool.org/private-media/documents/ER22-2762_WRAP_Tariff_Filing.pdf) ("WRAP Tariff").

<sup>12</sup> WRAP Tariff Filing, Att. E, Aff. of Charles Cates para. 8.

<sup>13</sup> *Id.* para. 11.

<sup>14</sup> WRAP Tariff § 1.



have an energy deployment issued. The program was designed around an expectation that it is the “resource of last resort” and that the program would only be used for 12 to 20 events per year. Holdbacks and energy deployments are settled under bilateral agreements, based on the WRAP settlement calculations that will result in higher than market payments. Additionally, a Make Whole Adjustment clause verifies that holdbacks that do not get deployed get fully compensated based on opportunity costs.<sup>15</sup> The failure of a participant to complete an energy delivery, who was issued a holdback order from WPP, and then subsequently an energy deployment, will result in a delivery failure charge, which is discussed further below.<sup>16</sup>

### Overview of the Forward Showing Program’s deficiency charges (CONE costs) and the Operations Program’s delivery failure charges

As identified above, the failure to meet forward showing capacity requirements will result in a deficiency charge in the Forward Showing Program, and failure to deliver the committed energy after an energy deployment notification in the Operations Program will result in a delivery failure charge.<sup>17</sup> These charges are significant and are designed to incentivize participants to be in full compliance with WRAP requirements.

The deficiency charge is the product of the monthly deficiency in megawatts (MW), times CONE value times a CONE factor. The CONE values are set at the cost of new entry of a new peaking natural gas-fired generation facility and are typically based on the annual revenue requirement. The CONE factor is adjusted depending on the program’s aggregate deficit and can vary from 125% to 200%. Additionally, the deficiency charge will include a calculation of incremental monthly failures for that participant within a season at a rate consistent with calculation of an annual CONE multiplied by a CONE factor of 200%. The range of charges will depend on the timing and number of deficiencies across both seasons. For example, a 100 MW deficit in the month of January in a winter season may result in a \$11.5 million charge, a 100 MW deficit in every month of winter and summer seasons would result in a \$24 million charge, and a 10 MW deficit in August of a summer season and 50 MW deficit in January of a winter season would result in a \$6 million charge. The CONE is intended to provide a strong deterrent against repeated deficiencies. The WRAP Tariff provides that revenues from the payment of any deficiency charges are to be allocated among those participants with no deficiency charges for the period at issue. The allocation would be pro rata based on each participant’s share of all such participants’ median monthly P50 peak loads for the period at issue.<sup>18</sup>

The delivery failure charge may be assessed for each hour of non-delivery and is calculated as the maximum of applicable day-ahead and real-time price on the hour of non-delivery multiplied by the Delivery Failure factor.<sup>19</sup> The Delivery Failure factor is adjusted based on the number of non-delivery instances in both seasons of the year for that participant and whether the energy that was not delivered was able to be served by another participant. Charges are designed to be high enough that non-delivery is not an economic option and to ensure the reliability of the program for all participants. Before issuing the non-delivery charge, the program operator will conduct an

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<sup>15</sup> *Id.* § 21.2.5.

<sup>16</sup> *Id.* § 20.7.1.

<sup>17</sup> *Id.* § 17.1 (sets forth when participants may be assessed a deficiency charge related to meeting forward showing capacity requirements); § 20.7.1 (explaining when a participant may be assessed a failure to deliver charge).

<sup>18</sup> *Id.* § 17.2.10.

<sup>19</sup> *Id.* § 20.7.4; *See also* WRAP Tariff Filing, Att. F, Aff. of Ryan Roy para. 28-33.

evaluation of the non-delivery events, and charges may be waived if they meet program-defined criteria. Non-delivery charges for a year will be capped at a ceiling equal to the CONE charge for an individual participant. The WRAP Tariff provides that revenues from delivery failure charges assessed where the deficit was fully satisfied by other participants will be used to reduce WPP costs that are recovered under Schedule 1, WRAP administration charge. Revenues from delivery failure charges assessed where the deficit was not fully met by other participants will be collected by WPP and provided to the participant that had an unserved deficit.<sup>20</sup>

### Commenters' Feedback (*deficiency and delivery failure charges*)

WPAG requests that Bonneville address its legal authority to pay monetary penalties associated with the WRAP, citing *Southwestern Power Administration v. F.E.R.C (SWPA)*.<sup>21</sup> Conversely, WPP comments that the charges under the WRAP Tariff are not penalties and requests that Bonneville correct its use of the term “penalty” in the final decision letter.<sup>22</sup>

### Response

The structure and commitments made under the WRAP are distinguishable from *SWPA*, which considered whether FERC’s enforcement jurisdiction under Section 215 of the Federal Power Act (FPA) unequivocally subjected the government to monetary penalties. In *SWPA*, FERC asserted the FPA granted it the authority to impose monetary penalties on federal agencies for reliability standards violations. While the FPA provides that federal agencies are subject to the reliability standards (implemented through the Electric Reliability Corporation), the court concluded that the FPA did not unequivocally waive the federal agencies’ sovereign immunity.<sup>23</sup> The WRAP is not a regulatory program, and Bonneville would not be subject to regulation under the Forward Showing and Operations Programs. Rather, Bonneville will contractually participate in the program. While the deficiency charge and delivery failure charge under the WRAP Tariff will operate as a deterrent for a participant’s failure to meet the critical requirements of the Forward Showing and Operations Programs, exposure to those charges is pursuant to provisions agreed to under a contract that is subject to Bonneville’s review and approval.

### Conclusion

Bonneville is contractually committing to participation in the WRAP. Bonneville expects its non-conforming agreement to clarify that the tariff charges are not penalties. Bonneville has corrected its terminology in the decision to reflect this explanation.

## Overview of program governance

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<sup>20</sup> *Id.* § 20.7.4.3.

<sup>21</sup> WPAG Comments at 1 (citing *Sw. Power Admin. vs. FERC*, 763 F.3d 27 (D.C. Circuit 2014) (holding that the Federal Power Act did not effect an unequivocal waiver of federal government’s sovereign immunity from monetary penalties)).

<sup>22</sup> WPP Comments at 4.

<sup>23</sup> The Court considered FPA Section 215(b)(1) and FERC’s jurisdiction to enforce compliance, and explained that to “generally bring the government within the Commission’s enforcement jurisdiction — it must unequivocally subject the government to monetary liability.” *SWPA*, 763 F.3d at 29.

WPP modeled its proposed governance structure for the WRAP after RTOs and ISOs.<sup>24</sup> The WRAP's governance will be implemented through WPP's corporate structure, the terms of the WRAP Tariff, and participation agreements. Because WPP will be the program administrator for the WRAP and will become a Commission-jurisdictional public utility, this has resulted in restructuring WPP's current corporate governance structure to a fully independent board. Amendments to the WRAP Tariff and business practices will be evaluated through the WRAP's stakeholder process, including review by the Resource Adequacy Participant Committee (RAPC),<sup>25</sup> but WPP's board will have the sole authority to vote to amend the WRAP Tariff and approve WRAP-related filings under section 205 of the Federal Power Act. The WRAP Tariff limits the board's broad authority in certain respects, including prohibiting it from: exercising control over generation or transmission assets, administering open access transmission service or balancing authority service or amending the WRAP Tariff to establish an organized market without supermajority support from the RAPC.<sup>26</sup>

As noted, the WRAP's governance will be implemented through WPP's corporate structure and through the WRAP Tariff. WPP's bylaws will be amended to establish a nominating process for the independent board of directors. This process will include a nominating committee made up of stakeholders and interested parties from various classes to participate in the selection of directors. WPP will serve as the WRAP's program administrator with responsibility for the tariff. It will engage a program operator to provide technical expertise for operational program implementation, and it will engage an independent evaluator to analyze program performance, accounting and settlement, and program design on a yearly basis and to make recommendations for improvements.

The WRAP's governance includes a role for states through a Committee of State Representatives (COSR).<sup>27</sup> The COSR's role in governance will include: (1) a designated representative of the COSR on the Program Review Committee (PRC), the broad stakeholder body that reviews proposed tariff and business practice manual changes before they are considered by the board;<sup>28</sup> (2) attendance of a designated representative of the COSR in RAPC meetings;<sup>29</sup> (3) an enhanced process for COSR engagement in RAPC decision-making;<sup>30</sup> and (4) a commitment by WPP to work with COSR to conduct a full review of governance structures and procedures, including the role of the COSR, in the event WPP seeks to expand the WRAP to include market optimization or transmission planning services.<sup>31</sup>

The WRAP will have two main stakeholder bodies, the RAPC and the PRC, to review proposals before going to the board.<sup>32</sup> These committees are intended to offer the board viewpoints from participants and a wide array of stakeholder interests. The PRC will serve as a broad stakeholder

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<sup>24</sup> See WRAP Tariff Filing, FERC Docket No. ER22-2762, Filing Letter at 47-48 (Aug. 31, 2022) ("Filing Letter"). The WRAP committee and voting structure was modeled on SPP's Western Energy Imbalance Service Market for its Western Markets Executive Committee (*Sw. Power Pool, Inc.*, 173 FERC ¶ 61,267 (2020)).

<sup>25</sup> See Filing Letter at 47-57.

<sup>26</sup> See *id.* at 50; WRAP Tariff § 3.4.

<sup>27</sup> WRAP Tariff § 4.3.

<sup>28</sup> *Id.* § 4.2.2.

<sup>29</sup> *Id.* § 4.3.2.

<sup>30</sup> *Id.* § 4.3.3.

<sup>31</sup> *Id.* § 3.5.

<sup>32</sup> See Filing Letter at 51-52 (discussing RAPC and PRC review).

committee with representatives from multiple stakeholder sectors, and the RAPC will serve as a committee of representatives from each WRAP participant.

Amendments to the WRAP Tariff and the adoption of any amendments to business practices that implement the tariff will be developed through a stakeholder process. Any stakeholder can propose amendments to the PRC. The PRC will review and prioritize proposed changes, seek public comments and comments from COSR, and evaluate the proposals. The PRC will then decide whether to recommend any proposed changes to the RAPC. If the PRC moves any change forward, the RAPC will review the proposal and supporting information. If the RAPC vote is to recommend the change to the board, it will be provided to the board for a vote. Any stakeholder may appeal a RAPC decision for consideration by the board.

The RAPC will consider proposed amendments to the WRAP Tariff or business practice manuals and will vote to recommend approval or rejection to the board. The RAPC will also advise the board on matters relating to the WRAP's administration budget and allocations to participants. The RAPC has special voting rights over several matters, such as modifying the limitations on the board's authority to amend the WRAP Tariff to implement other programs such as organized markets.<sup>33</sup> RAPC has authority to consider amendments to Schedule 1 of the tariff addressing cost allocation and the WRAP administration charge, and it has authority to consider changes to the WRAP's pro forma participation agreement.<sup>34</sup>

RAPC votes will use a "House and Senate" structure.<sup>35</sup> The Senate vote is equal (i.e., one participant, one vote), and the House vote is pro rata to reflect each participant's share of regional peak load. For an action to be approved by RAPC, both the House and Senate votes must satisfy certain supermajority thresholds, based on the matter being considered. The voting thresholds are as follows:

- For actions that have been recommended for approval by the PRC, the voting threshold for RAPC approval is a 67% supermajority of both the House and Senate.
- For actions involving changes to the board's authorities under Section 3.4 of the WRAP Tariff, the voting threshold for RAPC approval is an 80% supermajority of both the House and Senate.
- For all other actions, the voting threshold for RAPC approval is a 75% supermajority of both the House and Senate.<sup>36</sup>

### Overview of WRAP administrative cost recovery

WPP's costs for administration and operation of the WRAP will be recovered through the WRAP administration charge, a formula rate incorporated in Schedule 1 of the WRAP Tariff. Schedule 1 allows WPP to recover the WRAP's program administration costs from participants, based in part on the number of participants and in part on participants' peak loads. All participants will pay the same base charge each month, and each participant will also pay a load

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<sup>33</sup> *Id.* § 4.1.6.2.3.1.

<sup>34</sup> *Id.* § 4.2.1; *see also* Filing Letter at 52 (describing RAPC).

<sup>35</sup> *Id.* § 4.1.6.2.

<sup>36</sup> *Id.* §§ 4.1.6.2.1–3.

charge each month based on its peak load.<sup>37</sup> This structure is intended to reflect the differences in how participants will benefit from WRAP costs incurred by WPP, and at the same time seeks to balance WRAP cost recovery among the participants. It is also intended to lessen the extent to which the WRAP relies on individual participants with large peak loads for administrative cost recovery.<sup>38</sup> Schedule 1 also includes a maximum value for the formula rate of \$59,000 per year for the total of the monthly base charge and an annual maximum of \$199 per MW for the total monthly load charge in a year.<sup>39</sup> Changing these limits would require WPP to file an amendment to the schedule with the Commission.

Additionally, the WRAP includes a cash working capital support charge to ensure WPP's ability to make annual payments under the service agreement with the program operator.<sup>40</sup> This will be a one-time charge (absent future changes to the program operator annual payment), based on the sum of nine months' worth of monthly charges. Once WPP has sufficient cash working capital to make the first annual payment, the monthly collections from participants under the regular Schedule 1 charges over the first year will cover the next annual payment. The WRAP Tariff also includes a rate called the default allocation assessment that may be triggered to recover from non-defaulting participants the potential default of participants with respect to WRAP administration charges. To the extent WPP is successful in recovering funds from a defaulting participant, it is required to credit those funds, less its costs to recover such funds, to any participants who paid a default allocation assessment.

See the discussion of Bonneville's business case in Part V below for a description of Bonneville's anticipated program administration costs for WRAP participation.

### WRAP's program operator

WPP and participants in the WRAP initiative have selected the Southwestern Power Pool (SPP) to act as the program operator for a defined term under an agreement. SPP is responsible for performing planning studies, establishing PRMs, administering the Forward Showing Program twice per year, applying capacity accreditation rules, monitoring the regional operational adequacy requirements in real-time (Operations Program) and assisting WPP in calculating deficiency charges for non-compliance in the Forward Showing Program. SPP has also helped the development of the detailed design for WRAP, including the program's technical requirements, governance framework, and the WRAP Tariff. SPP will also maintain the technical systems to administrator both the Forward Showing and Operations Programs.

## PART III: Development of the WRAP initiative

Over the course of the initiative, participants engaged in the design and development of a regional program with clear, uniform standards for resource accreditation and the commitment for capacity contributions from its participants. During the course of this collaboration, Bonneville advocated for the development of a program that would accommodate participation

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<sup>37</sup> See WRAP Tariff Filing, Att. G, Aff. of Rebecca Sexton para. 10.

<sup>38</sup> *Id.*

<sup>39</sup> WRAP Tariff, Schedule 1 § 3.

<sup>40</sup> *Id.* § 5.1.

by entities with diverse jurisdictional statuses and that would allow Bonneville to elect to participate consistent with its statutory authorities.

### Initial design efforts

Nearly all utilities do their own resource planning through integrated resource plans. Since the deregulation of wholesale transmission in the mid-1990s, many utilities have relied on the availability of energy and capacity in the spot market to cover part of their needs. Utilities have begun to question whether the spot market is an assured resource that can be counted on to supply power when called upon. In 2019, utility members of WPP initiated discussions that led to a cooperative process to start reviewing and addressing resource adequacy in the region. The WRAP initiative represents a proactive effort to address resource adequacy challenges in the West through coordination among actors in the power industry. Participants in this initiative have collaborated in developing the program's technical design, as well as a framework for governance that accommodates jurisdictional considerations for the diverse mix of potential participants.

The WRAP initiative was organized into three phases:

- Phase 1, Information Gathering
- Phase 2, Conceptual and Detailed Design
- Phase 3A, Finalize Design and Initial Implementation (Non-Binding Forward Showing Program)
- Phase 3B, Implementation (Binding Forward Showing and Operations Programs)

### Phases 1 & 2: Information Gathering and Design

During Phases 1 and 2, participants initiated a process to develop solutions to address resource adequacy in the Northwest. The scope included information gathering (Phase 1) and conceptual and detailed design (Phase 2) with a proposed program design that outlined WRAP's structure, including hydro methodology, adequacy metrics, and import/export considerations. At the end of Phase 2, a [Detailed Design Document](#) was published, which was intended to be a starting point of implementation as program design refinement was expected in the next phase. Phases 1 and 2 have been completed and allowed for WPP and participants to transition to Phase 3's design finalization and program implementation.

### Phase 3A: Non-Binding Forward Showing Program

In the fall of 2021, participants moved into Phase 3A, which included the Non-Binding Forward Showing Program, and continued program design and drafting work. Phase 3A had several separate work streams. The program and its participants completed design work through a number of task forces to further refine the initial system development of the detailed design for the WRAP, including a governance framework and transition period. Bonneville participated in most task forces focused on the system development and technical design for the WRAP binding program, including wind accreditation, solar accreditation, CONE, legacy contracts, settlement pricing, load forecast, east and desert Southwest subregion diversity exchange, forward showing capacity requirement, a threshold for transmission demonstration and associated exceptions, cost allocation, participation, and the binding transition. Additionally, Bonneville participated in the Structural Work Group, which evolved into the WRAP Governance Committee, to develop the

WRAP’s governance, which was documented in the [Governance Proposal](#) and published in January 2022. Upon completion of the technical design and governance work, participants, including Bonneville, worked with WPP and the program operator to develop the WRAP Tariff. On August 31, 2022, WPP filed the WRAP Tariff with the Commission.<sup>41</sup>

In addition to the technical design work of Phase 3A, WPP is administering the Non-Binding Forward Showing Program. WPP, participants, and the program operator have collaborated on initiating the non-binding Forward Showing Program. Participants completed the first forward showing data submittal for Winter 2022–2023 non-binding season on September 15, 2022, and the data submittal for the Summer 2023 non-binding season on October 4, 2022.

WPP set a deadline for Phase 3A participants to commit to joining the fully binding program by executing a contingent pro forma Western Resource Adequacy Program Agreement (WRAPA) by December 16, 2022, based on the Commission’s approval of the WRAP Tariff without modification. WPP’s decision deadline remains December 16 despite the pending FERC proceeding. As noted, participants will make commitments to the WRAP pursuant to bridge agreements provided for in WPP’s contingency plan.

### Phase 3B: Fully Binding Program

Initial implementation of the binding program will begin in Phase 3B, WRAP’s final stage. Phase 3B is expected to start on January 1, 2023 (the date WPP asked for the Commission’s acceptance of the WRAP Tariff) under an approved tariff or alternatively under agreements that will be in place until the tariff is approved. In Phase 3B, WPP will begin to operate under the governance and funding provisions set forth in the WRAP Tariff, while continuing to conduct non-binding forward showings through Winter 2024–2025, along with an operational trial period beginning with Summer 2023. As discussed in Part VI below, the WRAP Tariff provides for a transition period with an opportunity for participants to elect binding seasons starting with Summer 2025 and continuing through Winter 2027–2028.<sup>42</sup> As part of the transition period, participants may elect to: 1) participate in the fully binding season (subject to the full program requirements and charges for both the Forward Showing and Operations Programs); 2) use reduced charges and requirements; or 3) continue non-binding participation.<sup>43</sup> As of the Summer 2028, all WRAP participants will be required to meet the full requirements of the binding Forward Showing Program and Operations Program—including all compliance requirements and deficiency and delivery failure charges.

Finally, WPP maintains a complete [website](#) dedicated to the WRAP with extensive program details, documents, and public webinar presentations.<sup>44</sup>

## Part IV: Bonneville’s decision process

### Commitment for engagement in Bonneville’s Phase 3A Letter to the Region

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<sup>41</sup> As noted, on November 21, 2022, the Commission issued a deficiency letter asking WPP to submit an amendment to its filing and to provide additional information, which WPP submitted on December 12, 2022. The Commission’s review of the WRAP Tariff and WPP’s additional filing is still pending.

<sup>42</sup> WRAP Tariff § 1.

<sup>43</sup> *Id.* § 15.1.

<sup>44</sup> <https://www.westernpowerpool.org>.

Prior to joining the Phase 3A Non-Binding Forward Showing Program, Bonneville engaged in a public process with customers and other interested persons about its perspective on the program’s development. Bonneville conducted a decision process seeking public review and comment and issued a [Letter to the Region](#) on September 29, 2021, explaining its final decision to participate in Phase 3A of the WRAP.

In Bonneville’s Phase 3A Letter to the Region, the agency identified the need to assess the business case for participating in the next phase of WRAP, the binding program. Accordingly, during Phase 3A Bonneville continued a public process in which it shared information about the progress of the initiative and Bonneville’s evaluation of the program as described below. This included Bonneville’s assessment of its business case for participation provided at the September 29, 2022 public meeting, which is discussed in detail in Part V below.

### Phase 3A Public Engagement and Decision Process Meetings for Phase 3B Binding Program

During Phase 3A, Bonneville initiated an engagement and decision process to lead up to Phase 3B. Bonneville held a public workshop on [November 19, 2021](#) to explain how it would meet the commitments made to customers and other interested parties in Bonneville’s September 29, 2021 Letter to the Region. Bonneville articulated its engagement plan and the decision process, explaining that it would: (i) transparently provide design updates and information impacting Bonneville’s business case consistent with WRAP timelines outside Bonneville’s process; (ii) enable effective two-way communication between Bonneville, customers, and other interested parties; (iii) conduct its process on as predictable and standard a cadence as possible; and (iv) ensure engagement opportunities for interested parties based on external WRAP timelines and information availability. Bonneville’s engagement and decision process has consisted of two key components: engagement workshops and decision process meetings.

As a standing item for all engagement workshops and decision process meetings, Bonneville provided updates and responses to customer-submitted questions and considerations as described below. The engagement and decision process has been designed and implemented to account for customer engagement, evaluation of WRAP risks and benefits, formal public meetings for the decision, finalization of Bonneville’s business case, and a 30-day public comment period on a Draft Closeout Letter. Throughout the process, Bonneville consistently noted that its process and timeline is necessarily dependent on WPP’s external process and timeline.

### Phase 3A Workshops

Bonneville’s engagement workshop series focused on discussing program design updates and potential impacts to Bonneville and its customers, outcomes from Bonneville’s participation in the Phase 3A Non-Binding Forward Showing Program, and resolving customer-submitted questions and considerations. Bonneville completed the engagement workshops in July 2022. Bonneville hosted workshops and discussed topics as shown in the table below:

Date	Topics
<a href="#">November 19, 2021</a> <a href="#">(Meeting slide deck)</a>	<ul style="list-style-type: none"> <li>• Annual assessment data submittal</li> <li>• Stakeholder engagement plan</li> <li>• Consideration of customer feedback</li> </ul>



	<ul style="list-style-type: none"> <li>• WRAP updates</li> </ul>
<u>January 27, 2022</u> <a href="#">(Meeting slide deck)</a>	<ul style="list-style-type: none"> <li>• Bonneville and resource adequacy today</li> <li>• Consideration of customer feedback</li> <li>• WRAP updates</li> </ul>
<u>April 13, 2022</u> <a href="#">(Meeting slide deck)</a>	<ul style="list-style-type: none"> <li>• Bonneville planning with the WRAP</li> <li>• Planning scenarios and preference rights</li> <li>• Consideration of customer feedback</li> <li>• WRAP updates</li> </ul>
<u>June 13, 2022</u> <a href="#">(Meeting slide deck)</a>	<ul style="list-style-type: none"> <li>• Transmission overview</li> <li>• Bonneville metrics review</li> <li>• New Large Single Load (NLSL) and Above Rate High Water Mark (AHWM) unspecified resources</li> <li>• Consideration of customer feedback</li> <li>• WRAP updates</li> </ul>
<u>July 26, 2022</u> <a href="#">(Meeting slide deck)</a>	<ul style="list-style-type: none"> <li>• New Large Single Load (NLSL) and Above Rate High Water Mark (AHWM) unspecified resources</li> <li>• Phase 3B decision process plan</li> <li>• Consideration of customer feedback</li> <li>• WRAP updates</li> </ul>

**Consideration of customer questions and feedback**

Bonneville incorporated its ongoing consideration of questions and feedback regarding the WRAP initiative and Bonneville’s possible participation into all of its public engagement workshops, as well as its decision process meetings. To encourage ongoing customer engagement and feedback, Bonneville provided customers with a two-week comment period following each workshop and decision process meeting to allow interested parties to comment both on the information Bonneville provided and on its responses to previously submitted questions or comments. Additionally, Bonneville maintained [a Resource Adequacy webpage](#) to post information, past workshop and meeting presentations, customer comments, and the [WRAP Public Considerations Tracking Spreadsheet](#). Bonneville updated the publicly available [WRAP Public Considerations Tracking Spreadsheet](#) with new questions and considerations from customers submitted after each meeting, as well as Bonneville’s responses. In the September 29, 2022 decision process meeting, Bonneville summarized and responded to the high-level topics based on questions and considerations from customers and other interested parties. Topics included: future stakeholder engagement, power rates, preference obligation, Bonneville products and services, existing Regional Dialogue contractual commitments, Provider of Choice, and Bonneville’s business case for participation in WRAP. These topics are addressed in this section and in Part VIII below, discussing Bonneville’s evaluation of its principles.

**Approach to Phase 3B Binding Program Decision**

Bonneville’s transition from its engagement workshops to its decision process began with its September 13, 2022 decision process meeting. The decision process meetings were intended to allow customers an opportunity to provide input on two key questions: (1) Should Bonneville join WRAP Phase 3B binding program? (2) If yes, which binding season should Bonneville select? Bonneville is sharing its decision to both questions in this Final Closeout Letter, posted December 16, 2022.

Before issuing the Final Closeout Letter, Bonneville committed to hosting three public meetings in 2022 (September 13, September 29, and November 1) to provide further public review and comment by customers and other interested parties. The topics covered in these meetings include:

Meeting Date	Topics
September 13, 2022 ( <a href="#">Meeting slide deck</a> )	<ul style="list-style-type: none"> <li>• Phase 3A stakeholder engagement summary</li> <li>• Formal decision process kick-off</li> <li>• Consideration of customer feedback</li> <li>• WRAP update</li> </ul>
September 29, 2022 ( <a href="#">Meeting slide deck</a> )	<ul style="list-style-type: none"> <li>• Forward showing data submittal update and position estimate</li> <li>• Business case for WRAP</li> <li>• WRAP participation and interaction with other Bonneville initiatives</li> <li>• Consideration of customer feedback</li> <li>• WRAP update</li> </ul>
November 1, 2022 ( <a href="#">Meeting slide deck</a> )	<ul style="list-style-type: none"> <li>• Forward showing data submittal update and position estimate</li> <li>• Discussion on Draft Closeout Letter</li> <li>• Binding season</li> <li>• Consideration of customer feedback</li> <li>• WRAP update</li> </ul>

### Ongoing customer engagement

In the September 29, 2022 decision process meeting, Bonneville shared its intent to continue stakeholder engagement on the WRAP as part of its proposed decision to join the program. Bonneville committed to providing check-ins with customers twice a year through WRAP’s first binding season, which starts in Summer 2025.<sup>45</sup>

### Concluding Phase 3A Engagement and Phase 3B Binding Program Decision

Commenters recognize the need to develop a better understanding of the WRAP as program rules are further developed and to gain additional information of potential implications for Bonneville and its customers. Consequently, as discussed below, commenters seek Bonneville’s

<sup>45</sup> *Resource Adequacy Decision Process Meeting*, Bonneville Power Administration, at 115 (Sept. 29, 2022), available at <https://www.bpa.gov/-/media/Aep/projects/resource-adequacy/20220929-bpa-decision-process-meeting.pdf> (“September 29 WRAP Decision Process Meeting”).

ongoing stakeholder engagement after Bonneville's final decision to address the implications of its WRAP participation.

### Commenters' Feedback (*ongoing stakeholder engagement by Bonneville*)

PPC recommends Bonneville commit to having more frequent meetings with customers by hosting a minimum of four customer meetings a year scheduled around each WRAP season. Additionally, PPC, AWEC, Eugene Water and Electric Board (EWEB), NLSL Group, NRU, and WPAG suggest Bonneville continue to engage with impacted customers to address outstanding concerns and issues they have identified in their comments, such as treatment of AHWM loads and NLSLs, workbook submissions related to Southwest/East Diversity Exchange (SWEDE) region, and operational uncertainty.

More specifically, PPC asks for additional engagement and more information on Bonneville's considerations for electing a late binding season, Resource Adequacy Incentive rates proposed in the BP-24 Rate Case settlement, and treatment of NLSLs related to Bonneville's participation in the WRAP.<sup>46</sup> Similarly, AWEC requests additional discussion around the rate treatment for AHWM loads and NLSLs.<sup>47</sup> AWEC also asks Bonneville to host additional meetings to discuss and address their questions regarding the WRAP load exclusion process, AHWM loads, NLSLs, and the process Bonneville may use for submitting workbooks for forward showing submittals.<sup>48</sup> NLSL Group asks Bonneville for more information around the WRAP Operations Program and its impacts on Bonneville preference customers with NLSLs, requirements for using specified resources for NLSLs, impacts to AHWM loads and NLSLs in Forward Showing and Operations Program time horizons, and for Bonneville to address general questions about exclusion of NLSLs.<sup>49</sup> WPAG additionally raises the need for further exploration of issues and questions raised about the ability to exclude AHWM loads and costs or risks to AHWM loads and NLSLs.<sup>50</sup>

### Response

Commenters broadly ask for Bonneville to continue its engagement with customers and stakeholders to address a number of issues and questions before Bonneville's first binding season. PPC specifically notes the benefits of increasing the frequency of meetings from Bonneville's proposal for hosting biannual meetings through the first binding season, which Bonneville shared in the September 29, 2022 decision process meeting.<sup>51</sup> Bonneville agrees with PPC that this engagement is important. Bonneville is clarifying and providing an updated plan for engagement both for Bonneville's participation in the WRAP and for addressing questions and issues raised by commenters.

Bonneville's engagement plan for its participation in the WRAP will consist of ongoing engagement with regularly scheduled meetings four times per year, utilizing a combination of stand-alone workshops and the Quarterly Business Review (QBR) Technical Workshops where

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<sup>46</sup> PPC Comments at 6.

<sup>47</sup> AWEC Comments at 3.

<sup>48</sup> *Id.* at 4-5.

<sup>49</sup> NLSL Comments at 1-2.

<sup>50</sup> WPAG Comments at 4-5.

<sup>51</sup> See September 29 WRAP Decision Process Meeting at 115.

appropriate; additional short-term, issue-focused workshops as needed (e.g., NLSL/AHWM, Operations Program, etc.); and separate customer-impacted meetings focused by topic (e.g., meeting to address matters raised by power customers serving NLSL/AHWM loads). Finally, Bonneville proposes to host ongoing meetings through the completion of Bonneville's first binding season. Bonneville will work with customers to reevaluate its engagement plan and the need for its proposed meeting schedule on an annual basis through its first binding season.

Bonneville expects to focus on forward showing data/submittals and experience in the Operations Program in the regularly scheduled meetings; however, the meetings may include any topics relevant to customer questions on Bonneville's WRAP participation. The short-term, issue-focused workshops will address topics raised in comments related to WRAP implementation, including:

- Considerations related to Bonneville's binding season election.
- Updated information related to development of the WRAP Operations Program.
- Issues associated with the SWEDE region.
- Resource Adequacy Incentive rates.
- Treatment of NLSLs and AHWM loads related to Bonneville's WRAP participation.

During the implementation of WRAP, WPP, as the program administrator, and the WRAP Tariff's open stakeholder process will be the primary source of information on program details and developments. However, Bonneville recognizes a need to keep customers informed of developments that may impact Bonneville and its customers. Bonneville will continue its stakeholder engagement similar to its efforts in Phase 3A, focusing on its participation, the development of the business practice manuals, and updates to the WRAP policies as determined by the WRAP project schedule. In addition to short-term, issue-focused workshops, Bonneville will continue to meet with individual or groups of customers, upon request, to focus on their unique questions or needs. Further, to the extent that there is a nexus between the implications of the WRAP and other issues of focus for customers, Bonneville will coordinate discussion with other Bonneville meetings or initiatives. For example, for Resource Adequacy Incentive rates, Bonneville will engage customers on a timeline that aligns with Bonneville's first binding season and the schedule for the applicable rate proceeding. Finally, Bonneville will host a meeting in the first half of 2023 to lay out its plan for coordinating both the planned ongoing engagement and the short-term, issue-focused workshops.

### Conclusion

Bonneville will engage customers and other interested parties on an ongoing basis with a minimum of four meetings a year, preferably through the QBR Technical Workshops, to provide feedback on Bonneville's WRAP participation, and Bonneville will schedule short-term workshops focused on addressing specific issues or questions commenters have raised. Additionally, Bonneville will coordinate discussion around issues or customer questions with other Bonneville meetings or initiatives. Bonneville believes this engagement will provide customers with general information in the initial stages of the program and will offer customers multiple forums to identify and resolve specific issues of concern. Bonneville will lay out its overall plan for this engagement in the first half of 2023.

## Part V: Bonneville’s business case for joining the WRAP binding program

In its business case for whether or not Bonneville should join the binding WRAP, Bonneville is performing its evaluation based on the assumption that it is participating in the binding Forward Showing and Operations Programs and not considering phasing in requirements and charges available during the transition period described in Part VI below. Bonneville is considering the expected benefits of a fully functioning resource adequacy program, the inventory position of forward showing (using Winter 2022–2023 and Summer 2023 submittals as projections for future position), expected costs for participation and the potential magnitude of cost exposure to charges in the Forward Showing and Operations Programs.

### How Bonneville addresses resource adequacy today

Bonneville must plan and acquire resources consistent with Northwest Power Act<sup>52</sup> while taking into consideration the regional power planning done by the Northwest Power and Conservation Council in its Power Plan. The Council’s power plan is intended to assist regional entities with a primary focus on Bonneville’s need to acquire resources to supply its regional load obligations. Section 5(b) of the Northwest Power Act provides that whenever a public body, cooperative or investor-owned utility serving retail load in the region requests firm power, Bonneville is obligated to offer contracts for the sale of such power on a long-term basis. Such contracts can be for a period of up to 20 years. One statutory purpose found in the Northwest Power Act is to supply the region (those entities that buy firm power from Bonneville, i.e., current Regional Dialogue power sales contract customers) an adequate, efficient, economical, and reliable power supply. To ensure an adequate supply of power is available, the Act authorizes Bonneville to acquire resources under long-term contracts. In addition to the authority to acquire resources on a long-term basis, Bonneville makes use of its short-term purchase authority found in section 11(b)(6)(i) of the 1974 Transmission System Act, which authorizes Bonneville to acquire power on a short-term basis not to exceed five years.<sup>53</sup>

To ensure it meets its load serving responsibilities pursuant to the Northwest Power Act and the Regional Dialogue contracts, Bonneville performs two long-term forecasts to determine its resource needs. The first is the Resource Program, which analyzes and provides insight into long-term, least-cost power resource acquisition strategies. It identifies and evaluates potential resources available for acquisition by Bonneville to meet its section 5(b) contractual load obligation on a forecast basis, including energy efficiency, demand response, and power purchases. The Resource Program is updated every two to four years. The second is Bonneville’s annual Loads and Resources Study, otherwise known as the White Book, which is Bonneville’s forecast of expected power obligations and resource generation for both the federal system and the Pacific Northwest region as a whole for the upcoming 10-year period.

The Northwest Power Act authorized the states of Washington, Oregon, Idaho, and Montana to form an interstate compact agency, the Council, and directs the Council to: (1) prepare and review a “regional conservation and electric power plan” not less than once every five years; (2) prior to each plan, prepare and periodically amend a program to protect, mitigate, and enhance fish and wildlife affected by the Columbia River Basin hydropower system; and (3) develop both the power plan and the fish and wildlife program in a highly public process with broad

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<sup>52</sup> Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. §§ 839 *et seq.* (2020).

<sup>53</sup> 16 U.S.C. § 838i(b)(6) (2020).

consultation and participation. The Power Plan includes the approximate amounts of power produced by resources that the Council recommends Bonneville acquire on a long-term basis and may include the types of resources.<sup>54</sup>

In addition to the planning done by Bonneville and the Council, the Western Electricity Coordination Council (WECC) and North American Electric Reliability Corporation (NERC) both develop standards that transmission providers must adhere to that are intended to reduce risks to the security and reliability of the grid. NERC defines adequacy as:

The ability of the electric system to supply the aggregate electrical demand and energy requirements of the end-use customers at all times, taking into account scheduled and reasonably expected unscheduled outages of system elements.<sup>55</sup>

NERC authorizes regional entities to act on its behalf throughout North America, and has authorized WECC to act on its behalf in the western United States. Bonneville is subject to the regulatory standards promulgated by these entities and takes the standards and definitions into account when performing its own power and transmission planning.

As explained above, Bonneville’s governing power marketing statutes require it to plan for and assure an adequate power supply is available to meet its firm power contractual obligations. In its resource planning today, Bonneville considers both long and short-term conditions affecting its loads and resources. Bonneville currently relies on the spot market to cover some of its planning uncertainties. There is an increasing risk that the spot market will not continue to provide enough market depth to meet these uncertainties. Thus, the status quo presents a significant risk of potential shortfalls of capacity supply in the future.

Bonneville understands that the WRAP is likely to proceed with or without Bonneville’s participation.<sup>56</sup> If Bonneville decided to not participate, resource adequacy challenges will continue to persist without the ability to access the potential diversity benefits the WRAP offers.

### Emerging markets and the WRAP

Bonneville’s evaluation of the WRAP’s binding phase is taking place during a time of great change in the West. Many of the entities that Bonneville has worked with to help develop the WRAP are also considering multiple options for expanded regionalization, including market expansion. A substantial portion of current WRAP participants, including Bonneville, are participating in the Western Energy Imbalance Market (EIM), which is a regional intra-hour imbalance market. Many of these same participants are evaluating the development of a regional day-ahead market. Both the California Independent System Operator (CAISO) and SPP are in

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<sup>54</sup> 16 U.S.C. § 839b(e)(3)(D) (2020).

<sup>55</sup> See Glossary of Terms Used in NERC Reliability Standards (March 29, 2022), [https://www.nerc.com/pa/Stand/Glossary%20of%20Terms/Glossary\\_of\\_Terms.pdf](https://www.nerc.com/pa/Stand/Glossary%20of%20Terms/Glossary_of_Terms.pdf).

<sup>56</sup> In a notice provided on December 8, 2022, WPP announced that the following entities had indicated their intent to move forward with participation in WRAP: Avista Utilities; Calpine Energy Solutions; Chelan Public Utility District; Clatskanie People’s Utility District; Eugene Water & Electric; PacifiCorp; Portland General Electric; Powerex Corp.; Puget Sound Energy; Seattle City Light; and Tacoma Power. Maya McNichol, *WPP Welcomes First Participants for Next Phase of WRAP*, WPP (Dec. 8, 2022, 4:04 PM), <https://www.westernpowerpool.org/news/wpp-welcomes-first-participants-for-next-phase-of-> (“WPP Dec. 8 Notice”).

the process of developing a day-ahead market. The WRAP is a helpful step toward this increased regionalization and joining the program will place Bonneville in a good position to evaluate these options. In fact, the SPP Markets+ day-ahead market will require participation in the WRAP or meeting an equivalent standard in order to participate.<sup>57</sup>

### Expected benefits from WRAP participation

Bonneville expects to be able to use the WRAP to help meet its long-term power sales contract obligations to supply firm power to its regional power customers. Demand for power is expected to continue to grow, while the spot market is expected to have increasing periods of scarcity and price volatility as large thermal projects throughout the West are replaced by non-dispatchable variable energy resources (VERs) and entities compete more for their power supply. Entities that have power supply obligations to serve load share the concern with reliance on the spot market and the use of the spot market to source short-term needs. This shift in the resource mix creates challenges for Load Responsible Entities (LREs) and their ability to meet their expected peak load demand over the coming years. The WRAP is expected to address many of these capacity challenges by improving overall coordination and situational awareness of generation operations reliability in the region. The WRAP will provide generation reliability benefits to Bonneville and other participants due to the increased visibility, transparency, and consistent application of standard metrics and methodologies. Importantly, the program is designed to work within existing systems and bilateral market frameworks of the West. This means that Bonneville and other WRAP participants will be able to continue to plan on an individual basis in making decisions on how to serve load, but they will use the regional metrics, modeling, and analyses provided by the WRAP to inform planning and procurement processes.

The WRAP's application of standard methods allow for transparency of participants and increased visibility into potential generation reliability risks of insufficient generation supply to meet load. The requirement for participants to meet the standards in the binding Forward Showing Program would provide a greater assurance that Bonneville's neighbors, who are expected to participate in the program, are planning for and/or acquiring physical resources needed to serve load in the region to meet the WRAP standards. The forward showing requirement is established using the diverse mix of load and resources across a participant's footprint. Thus, the standard approach for modeling and analysis can be integrated into an individual participant's planning process, providing transparency and visibility in how participants across the region are planning for load needs.

The WRAP establishes a standard practice of how the capacity of different types of resources are accounted for—reassuring Bonneville that all participants will account for their capacity contribution from specific resources in the same manner. These standard practices provide more certainty that all participating LREs are using the same standards and methods, creating more transparency and consistency across the region. Such standardizations would also ensure that participants are adequately planning for physical resources to supply the capacity needed to meet

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<sup>57</sup> See *Markets+*, a Proposal for Southwest Power Pool's Western Day-Ahead Market and Related Services, Southwest Power Pool, at 49, available at <https://www.spp.org/documents/68340/spp%20markets%20plus%20proposal.pdf> ("SPP Markets+ Detailed Design Document").

their own peak loads because spot market purchases and long-term contracts that come from unknown sources will not count toward meeting the forward showing requirements.

Bonneville expects that this standardized practice could reduce reliance on the spot market and encourage the development of resources with dependable capacity. Over time, with increased stability and refined standardizations, this program could result in a reduction in generation reliability risks and would create the potential for additional product options (both sales and purchases), translating into realized benefits for Bonneville's customers and the region.

The program operator will have access to detailed load information, performance characteristics of generating resources, and contractual obligations against resources. The information available to the program operator provides a level of granularity and detail not available to entities making resource planning decisions on their own. The program operator can use this information to inform reliability metrics such as the PRM for the program footprint. For example, the PRM established by the program may be reduced due to the diversity in both loads and resources of participants in the program as a whole. The load diversity benefits are realized through planning the system to a regional coincident peak rather than the sum of utility non-coincident peaks. Outside of the WRAP, Bonneville or other entities would need to plan to carry enough capacity to meet their own peak load plus a PRM to deal with uncertainty. Bonneville has a responsive peaking capability from its largely hydro system, but Bonneville is limited by the variability of fuel supply (water) creating an energy constrained system. Bonneville's traditional planning tools consider capacity but are primarily focused on the high variability of water supply and how it would meet energy obligations placed on the system. As a result, Bonneville does not currently use a PRM in its suite of power planning tools and does not believe it will change its energy planning methodologies at this time to account for the diversity benefits of a reduced PRM that the WRAP provides. PRM is a capacity planning measure that Bonneville may incorporate as a consideration but it would be limited since Bonneville focuses on planning for energy supply; however, if Bonneville recognizes that as it becomes capacity limited, it would benefit from the reduced PRM.

The Forward Showing Program establishes baseline values, based on participants' portfolios and the program operator's evaluation, to identify the reliability risk—the potential of a shortfall in meeting a capacity shortage. The Operations Program then determines the actual shortfall, the real-time differences, and then initiates a sharing event in which participants identified as surplus are able to help meet other participants' deficits—all relative to participants' forward showing baseline. The binding Operations Program would benefit Bonneville by providing access to diversity benefits and to supply power across other program participants. The program establishes a framework to unlock the region's diversity in an equitable and reliable manner. The program operator does account for adjustments such as those due to changes in forecast loads, forced outages, VER performance, reserves or other factors. Additionally, although generation reliability events may still occur with the WRAP, increased visibility provided through the program operator helps identify potential reliability risks sooner (in the forward showing timeframe) and provides opportunities to mitigate them in a least-cost manner for all participants in the Operations Program. Generation that is surplus to one participant will be used to meet another participant's deficit. For Bonneville and its customers, this means the region would take action as a whole to identify potential risks and solve them. If Bonneville were to be surplus, it could help participants in need. And if Bonneville were deficit, it could request assistance through the program. The program is based on a "resource of last resort" concept with an



estimated 12 to 20 hours per year, setting settlements pricing at a level to encourage participants to solve deficiencies outside the program. The program provides compensation for holdback of capacity and energy deployments. These payments assure that the opportunity costs of any holdbacks are fairly compensated and settlement prices are above market rates.

Finally, as explained above, Bonneville is currently exploring new market opportunities in the West, including proposed day ahead markets. Bonneville's participation in the WRAP would preserve the option for it to join SPP's Markets+, in which participation in the WRAP or a WRAP-equivalent resource adequacy program will likely be a prerequisite.

### Potential costs for Bonneville's WRAP participation

Bonneville has identified the potential quantitative costs from WRAP participation in three ways: programmatic costs of participation, potential financial consequences in the Forward Showing Program, and potential charges for delivery failures in the Operations Program. First, Bonneville's participation in the program would include programmatic costs—WRAP program fees and Bonneville staffing and system costs. As explained above, as a WRAP participant, Bonneville would be required to provide the program fees and charges. Based on the WRAP Tariff maximum, Bonneville has calculated the maximum annual cost for base charges to be \$1,115,000, based on the maximum base cost of \$59,000 and load costs of \$1,096,000 using the maximum charge of \$199 per MW set in the WRAP Tariff. The maximum monthly cost would be \$96,250.

The maximum charge identified in the WRAP Tariff is a conservative reflection of a program with about half the participants and load as is participating in Phase 3A. As additional participants join the binding WRAP and bring additional load with them, those maximum values would be directly reduced as the same budget is spread across more participants and load.

Additionally, there would be a cash working capital support charge from the program of \$866,250 (equivalent to nine months of participant and load fees) that would be paid within 30 days of Bonneville executing its participation agreement.<sup>58</sup> Bonneville anticipates maintaining its current level of staffing as it begins participation in the binding program. At this time, Bonneville believes those costs can be included under current staffing and budgetary levels. The costs for the program (including any settlement payments) would be applied to the Non-Slice Cost Pool and would come out of current budgets.

Second, WRAP participation also creates potential financial consequences if a participant is unable to meet program requirements for the Forward Showing Program. This may include the following: the need to acquire additional resources or transmission to meet program standards or significant financial charges if Bonneville were to be unable to meet or cure any deficiency identified in its forward showing submittal. None of these financial assessments will apply until a participant is in the fully binding program. Deciding which binding season to elect is an important consideration; see Part VI below for more details on this part of the decision.

The risk of needing to acquire additional resources will be identified as part of Bonneville's forward showing submittal. One possible issue may be due to current Bonneville or customers' contractual resources not meeting program standards to receive credit for QCC. The program

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<sup>58</sup> Or as provided under the alternative agreement for WPP's contingency plan.

only recognizes capacity from physical resources or contracts that are sourced from physical resources to receive credit as QCC for a participant. Bonneville, and some of its customers, have contracts such as WSPP Seller's Choice contracts that would not meet this standard. Bonneville might be able to receive QCC for some of its contracts or customers' contract resources so long as Bonneville could obtain agreement from the counterparty to attest to the source, capacity, and any limitations of the resource. However, Bonneville recognizes this as a limited risk.

Bonneville only has these types of agreements through 2026, so meeting program requirements for Bonneville's contract resources is not a long-term problem. The WRAP transition plan allows for the phasing out of legacy agreements that may not fully qualify for capacity once all the requirements of the program are implemented. The legacy agreements are limited to those agreements in place prior to October 1, 2021.

Additionally, Bonneville has sufficient physical resources to meet the program requirements based on Bonneville's Winter 2022–2023 and Summer 2023 forward showing submittals to the program. This would include Bonneville customers' potential use of legacy contract resources that may not have physical resources.

Although Bonneville is comfortable with the amount of physical resources it has to meet forward showing requirements, Bonneville has proposed ways to mitigate the inability to account for load served by a customer's contract resources. For customers that serve NLSL with dedicated non-federal resources, Bonneville would work with customers to meet program requirements for resource QCCs or to exclude load from the WRAP at a customer's request or customers would be subject to a charge for the federal system being used to meet non-Bonneville load service responsibility for resource adequacy. For customers serving AHWM load with unspecified resources, Bonneville would offer a credit to encourage customers to submit resource information prior to forward showing submittals so resources may qualify for QCCs under the program. Both of these proposals exist today and are part of Bonneville's settlement proposal for the BP-24 rate proceeding. Bonneville recognizes the need for continued conversation with customers about these proposed rates in future rate processes, which would be in effect for Bonneville's first binding season.

If Bonneville identifies it is deficit because of insufficient qualifying capacity resources or firm transmission to meet the program's forward showing requirement, Bonneville would have the opportunity to cure the deficiency. As explained above, the program includes a 60-day period to notify participants after a forward showing submittal and a 60-day cure period. Bonneville would have the opportunity to acquire resources or firm transmission during this cure period. If Bonneville were unable to cure a deficiency, then Bonneville would incur a CONE charge, which would likely be significant. Based on Bonneville's forward showing submittals for Winter 2022–2023 and Summer 2023 non-binding seasons, Bonneville is comfortable that it would not incur a deficiency charge in meeting its forward showing requirement.

Third, in the Operations Program, Bonneville's exposure to potential costs falls into two categories: 1) paying a premium price for an energy delivery from the program requested by Bonneville to meet a deficit at settlement costs above market prices, and 2) a failure to deliver charge if Bonneville failed to deliver on a WRAP-issued energy deployment to another participant. Although the settlement costs for using the diversity benefit of the Operations Program are higher, Bonneville would not be obligated to use the program. In fact, the program is designed to be a "resource of last resort." Therefore, Bonneville would still have the ability to

seek its own arrangement to meet its deficit, outside the program. Additionally, although there may be limitations if Bonneville has to provide a holdback, the settlement pricing assures Bonneville that it would be fairly compensated for its holdback, both for the capacity that is held and the energy cost of any deliveries that are made under the program. Finally, although there would be a risk for incurring failure to deliver charges, the program is designed to provide a robust evaluation before assessing the charges and to allow participants to seek waivers or exemptions of non-delivery charges. The charges are designed to incentivize delivery and avoid the impact of load shedding because of non-delivery, but are not intended to be punitive. As a result, they are capped at the equivalent cost to a CONE charge.

### Business case conclusion

The WRAP's standard metrics and processes assure that Bonneville's participating neighbors would meet the program standards under a binding Forward Showing program. The WRAP would provide Bonneville with another tool to assure adequate power supply to meet Bonneville's obligations to its customers. The program would also assure that Bonneville is compensated at an above market rate for help that it provides other participants through the program. The benefits of the program outweigh the programmatic costs, and Bonneville believes the risks of potential charges can be fully mitigated.

### Commenters' Feedback (*ongoing analysis, including implications to other initiatives*)

In evaluating Bonneville's business case for participation in the WRAP, PPC does not raise any issue with Bonneville's analysis, yet agrees there is a potential for significant qualitative benefits and acknowledges the difficulty in quantifying other benefits, including revenues from sales made in the program.<sup>59</sup> PPC does recommend that Bonneville continue its analysis of the impacts on Bonneville's costs and revenues of WRAP participation. PPC also asks Bonneville to consider the impacts to operations and planning. PPC suggests Bonneville may use information of this analysis in other areas, such as Bonneville's exploration of day-ahead markets.<sup>60</sup>

### Response

Bonneville appreciates PPC's evaluation of its business case and agrees there is value in continuing to evaluate the potential impacts of WRAP participation. Ongoing evaluation of all programs is standard practice, but Bonneville's continued review of the principles outlined in its business case are even more important for WRAP participation as Bonneville proceeds toward a binding season with greater knowledge of the program. As part of this evaluation, Bonneville will consider any changes to the financial and operational impacts Bonneville previously evaluated. Additionally, as applicable, Bonneville may consider its experience with the WRAP in its evaluation of emerging day-ahead markets as appropriate.

### Conclusion

Bonneville will continue to analyze its WRAP participation and report out any impacts as part of its ongoing stakeholder engagement.

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<sup>59</sup> PPC Comments at 6.

<sup>60</sup> *Id.*

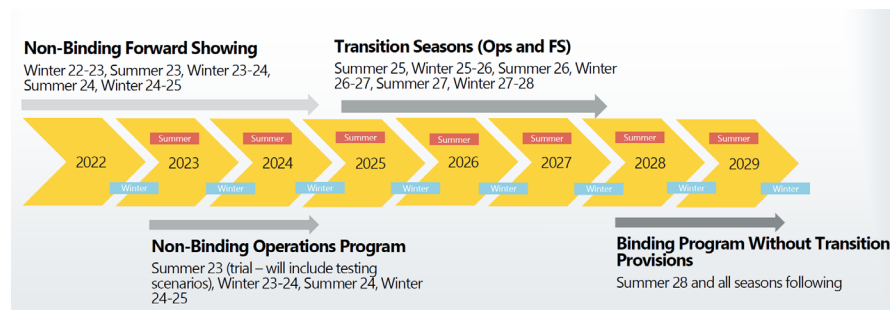
## Part VI: WRAP’s initial transition period and Bonneville’s binding season election

### Explanation of WRAP transition period

The WRAP Tariff provides for a period to phase in compliance obligations and charges to allow participants to transition from the Phase 3A non-binding resource adequacy program to the fully binding program. Under the transition plan, Phase 3B begins by continuing the Non-Binding Forward Showing Program, initiating the Operations Program in Summer 2023 with an operational trial, and implementing the governance program.<sup>61</sup> Bonneville supported and provided input into the adoption of the transition plan that was ultimately incorporated in the WRAP Tariff.

From the beginning of Phase 3B, scheduled for January 1, 2023, participants will be able to participate in governance committees, including voting, continue to turn in and receive feedback on non-binding forward showing data submittals and potentially receive voluntary capacity available in the Operations Program. The compliance obligations and charges for the Forward Showing and Operations Programs are then phased in during transition seasons beginning in Summer 2025 through Winter 2027–2028. Participants may elect from these seasons to become subject to compliance requirements and charges.<sup>62</sup>

Beginning with Summer 2028, all participants must meet the requirements of the fully binding Forward Showing and Operations Programs—including all the compliance requirements and charges. The following diagram from WPP shows the timeline shifts from non-binding seasons to the transition period and the fully implemented binding program.



An additional element in the WRAP Tariff is the option for participants to request reduced charges and requirements, excused transition deficits (ETDs), and reductions in meeting forward showing requirements for legacy agreements during the transition period.<sup>63</sup> Participants that elect to use ETDs will have reduced access to diversity benefits in the Operations Program.

### Bonneville’s considerations for electing a binding season

The WRAP Tariff requires all participants in the program to provide an election of their first binding season. As Bonneville shared in the Draft Closeout Letter and in its November 1, 2022

<sup>61</sup> WPP, RAPC Meeting Minutes, att. at 2. (July 14, 2022), available at [https://www.westernpowerpool.org/private-media/documents/2022-07-14\\_RAPC\\_Minutes.pdf](https://www.westernpowerpool.org/private-media/documents/2022-07-14_RAPC_Minutes.pdf) (“WRAP Transition Proposal”).

<sup>62</sup> WRAP Tariff § 15.1.

<sup>63</sup> *Id.* §§ 17.3 (setting forth participants use of ETDs during transition period) and 16.2.6.3 (describing allowances for legacy agreements).

decision process meeting, to determine Bonneville’s first binding season, Bonneville considered the potential of incurring WRAP charges (the deficiency charge in the Forward Showing Program and the delivery failure charge in the Operations Program) and the ability to access diversity benefits of program participation.

To understand the potential of incurring WRAP charges, Bonneville will need to consider both its experience in the Phase 3A non-binding forward showing seasons as well as the knowledge and experience Bonneville anticipates it will gain by participating in the program by the start of the proposed binding season.

Bonneville recognizes that there is some uncertainty in the full implementation details for the binding Forward Showing and Operations Programs. As a participant in Phase 3B, Bonneville would be actively engaged in proposed task forces and governance committees to propose, evaluate, and vote on specific implementation details to be documented in the WRAP business practice manuals.

Additionally, Bonneville has the option to modify its first binding season with two years’ notice and take advantage of options to reduce financial assessments and compliance requirements for participants in transitional seasons, such as ETDs or reductions for legacy agreements.

Finally, Bonneville has taken into account how the timing of its binding season election would impact its ability to join emerging regional markets as discussed above in the business case in Part V.

### Bonneville’s binding season election

In the November 1, 2022 decision process meeting, Bonneville shared its leaning of selecting a later binding season.<sup>64</sup> Bonneville provided background on the WRAP transition plan, including the purpose of the transition plan, timeline for the transition period, and mitigation tools available to help participants manage program requirements and reduce charges (e.g., allowance of capacity for legacy agreements).<sup>65</sup>

Bonneville’s initial leaning was based on its evaluation of the following:

#### *Considerations that inform its binding season election*

Bonneville identified the following considerations as informing its binding season leaning: potential for incurring WRAP charges, ability to access diversity benefits, knowledge and experience from program participation, impact on ability to join emerging regional markets, and the ability to mitigate risk built into the WRAP Transition Plan and the WRAP Tariff.<sup>66</sup>

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<sup>64</sup> See Resource Adequacy Decision Process Meeting, Bonneville Power Administration, at 56 (Nov. 1, 2022), available at <https://www.bpa.gov/-/media/Aep/projects/resource-adequacy/20221101-bpa-decision-process-meeting.pdf> (“November 1 WRAP Decision Process Meeting”). In the November 1 decision process meeting, Bonneville included Summer 2028 as a possible option within the transition period for a binding season election. The WPP has clarified that Winter 2027–2028 is the latest possible election that allows for non-binding participation in the transition period.

<sup>65</sup> *Id.* at 48-52.

<sup>66</sup> *Id.* slide 53.

### *Challenges Bonneville may face as a binding participant in the WRAP transition period*

Bonneville also described four challenges it may face during the transition period: 1) the availability of transmission between loads in the SWEDE region and the FCRPS create risks that may create costs in the Forward Showing Program, 2) the uncertainty in details and requirements for the Operations Program, 3) identifying Bonneville system updates and business processes to support participation in the binding program, and 4) alignment with the timing for joining emerging regional markets.<sup>67</sup>

### *Strategies Bonneville may employ to manage those challenges*

Finally, Bonneville shared the strategies it may use to address these challenges, including acquisition of resources to meet WRAP physical resource requirements, securing firm transmission or use of transmission exemptions to meet the Forward Showing transmission demonstration requirements, reducing Forward Showing capacity requirements using ETDs, applying legacy agreement allowance, exploring solutions to include in WRAP business practice manual development, shifting its binding season election back or forward with the two years' notice requirement, and gaining experience in the program to understand and evaluate program options.<sup>68</sup>

Based on an evaluation of the challenges for the transition period and strategies to manage those challenges, Bonneville will elect Winter 2027–2028 as its first binding season in the WRAP. The four principal challenges that have been identified are discussed in detail below.

### *Discussion of Principal Challenges*

Bonneville identified the first potential challenge, the availability of transmission to serve loads in the SWEDE region, due to concerns about potential uncertainty related to Bonneville's ability to demonstrate in its forward showing submittal sufficient resources or transmission for loads in the SWEDE region. However, based on Bonneville's recently completed forward showing submittals for the Winter 2022–2023 and Summer 2023 non-binding seasons, Bonneville is confident of its ability to demonstrate sufficient resources and transmission for its forward showing requirements for loads in the SWEDE region. That said, Bonneville has acknowledged potential long-term concerns with serving loads in the SWEDE region later in the WRAP transition period, such as the need to acquire transmission or additional resources to serve loads in Southeast Idaho. At this stage, Bonneville is not able to completely manage its risk of being deficient because it still needs to understand how the requirements in the WRAP Tariff related to the forward showing will be implemented under WRAP's business practice manuals. The implementation details that will be developed through the business practice manuals will provide Bonneville and other participants with critical information, which may include offering participants with additional flexibility to manage loads and resources in the WRAP's Mid-C and SWEDE regions or the ability to qualify for exceptions to meet transmission demonstration requirements in the Forward Showing Program. Until Bonneville has a better understanding of how forward showing requirements are implemented in WRAP's business practices, Bonneville is unable to fully identify the gaps it may face in meeting forward showing requirements and how it may need to mitigate its risks, including acquiring additional resources or transmission.

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<sup>67</sup> *Id.* slide 54.

<sup>68</sup> *Id.* slide 55.

The second challenge Bonneville identified relates to how the technical details and requirements in the Operations Program have not yet been developed. Bonneville believes that the WRAP Tariff outlines a clear foundation based on Bonneville staff's participation in the development and drafting efforts during Phase 3A. However, the implementation details have not yet been defined or documented in WRAP's business practice manuals. These details and requirements are expected to be a primary focus for the program in 2023. Bonneville intends to participate in the development of the business practice by providing review and input under the process prescribed by the WRAP Tariff. Additionally, an operational trial is scheduled to occur in Summer 2023 as a "test run" of the Operations Program for participants to gain experience and refine the program before the WRAP moves to the non-binding Operations Program and, ultimately, the binding Operations Program. Bonneville will be able to assess any risks or impacts to Bonneville and its customers with experience in the operational trial and will have an opportunity to review established business practices related to the Operations Program.

The third challenge Bonneville identified relates to Bonneville's understanding that the WRAP may implement a new software interface or processes to support participants' forward showing submittals and delivery of holdback in the Operations Program. Similar to the second challenge, the details for implementing the Forward Showing and Operations Program will be fleshed out through the development of business practices before implementing any new software interface or processes. Bonneville needs more information regarding the requirements of the yet-to-be-developed business practices, as well as any additional technical requirements the program establishes upon implementation. Armed with that information, Bonneville will be able to assess the extent to which Bonneville needs to develop software or internal process changes, such as updating existing systems, implementing new systems or modifying existing business processes.

Finally, in its fourth identified challenge, Bonneville is evaluating the development of regional day-ahead markets, which is discussed in Part V of the letter. The WRAP represents a helpful step toward this increased regionalization, and WRAP participation will place Bonneville in a strategic position to evaluate its options. As an example, the SPP Markets+ day-ahead market, which is expected to go live in 2026, will require participation in a resource adequacy program approved by the Commission, and SPP Markets+ proposes use of WRAP as its resource adequacy program.<sup>69</sup> In the SPP Markets+ Detailed Design Document, SPP recommends initiating a joint task force with WRAP to address "interoperability and necessary coordination needed between Markets+ and WRAP."<sup>70</sup> Under the WRAP, Bonneville will be able to participate in any task force or other forum to gain understanding and provide input for coordination between the proposed day-ahead market and the WRAP. Finally, to the extent that WRAP participants are interested in joining the SPP Markets+ day-ahead market, Bonneville understands that participants would need to join the WRAP but would not necessarily have to elect a specific binding season within WRAP's transition period. Therefore, Bonneville's binding season election does not present a known barrier for joining emerging markets.

Based on an evaluation of these challenges, Bonneville believes its binding season election offers the best participation option by allowing Bonneville to maximize its experience during the transition period of up to five years. During this time, Bonneville will track the program's implementation, evaluate how the implementation details address Bonneville's challenges, meet

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<sup>69</sup> See SPP Markets+ Detailed Design Document at 49.

<sup>70</sup> *Id.* at 50.

with customers through Bonneville’s continued stakeholder engagement, implement strategies to mitigate remaining risks to Bonneville (such as acquiring additional physical resources or firm transmission), and consider the implications of Bonneville’s participation in the WRAP on other Bonneville initiatives and the exploration of regional markets. Additionally, as a non-binding participant, Bonneville will be able to take advantage of the following benefits of participation:

- Meaningfully contribute to the implementation of the binding program by engaging in WRAP committees (including providing input in the development of the WRAP’s business practice manuals and the ability to vote in the RAPC in the development of the business practice manuals);
- Develop greater understanding and ability to evaluate participation benefits as a non-binding participant in the Forward Showing Program;
- Complete Operations Program trials and gain experience in the Operations Program by offering voluntary capacity and/or receive voluntarily offered holdback capacity as available; and
- Take advantage of WRAP metrics derived from modeling of binding participants as a proxy for Bonneville’s non-binding forward showing submittals.

As WPP explained in its FERC transmittal letter, the transition period “enables Participants to time their entry into the binding phase to their current needs, capacity portfolio, and regulatory requirements, while ensuring broad participation by utilities throughout the region.”<sup>71</sup> With its binding season election, Bonneville will continue to have the opportunity to raise issues and offer solutions to address concerns of Bonneville and its customers. Moreover, Bonneville will gain knowledge and experience of the program, which will allow Bonneville to minimize financial risk exposure. Finally, by electing a later binding season, Bonneville will still have the ability to move its binding season to an earlier season on two years’ notice should it determine that these challenges have been met.

#### Commenters’ Feedback (*WRAP transition period election*)

Snohomish PUD, Tacoma Power, and WPP all submitted comments encouraging Bonneville to elect an earlier binding season in the WRAP transition period. Snohomish PUD and Tacoma Power both share a concern that Bonneville’s decision for a late binding season may encourage other entities to participate later in the WRAP transition period.<sup>72</sup> For example, Snohomish PUD noted it would align its binding season election with Bonneville’s election.<sup>73</sup> It noted that participation of Bonneville and other entities is important because greater participation lowers the costs and program metrics since there is greater regional resource and load diversity.<sup>74</sup> WPP shares that although non-binding participation in WRAP would offer many benefits to participants such as Bonneville, the “diversity and reliability benefits will not be fully realized until participants are participating in all aspects of the program.”<sup>75</sup> Tacoma Power is particularly concerned that a late binding season election by Bonneville would result in a higher planning

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<sup>71</sup> Filing Letter at 68.

<sup>72</sup> Snohomish PUD Comments at 2; Tacoma Power Comments at 1.

<sup>73</sup> Snohomish PUD Comments at 1.

<sup>74</sup> *Id* at 2.

<sup>75</sup> WPP Comments at 1.



reserve margin for the program since Bonneville’s generating resources would not be included in program calculations.<sup>76</sup> Additionally, Snohomish PUD and Tacoma Power express concern that while a Bonneville decision to elect an early season would indicate leadership in the region and support for WRAP, and Tacoma Power states that an election of a later binding season would be inconsistent with the support for the program from regional utility executives, policymakers, regulators, and public interest organizations.<sup>77</sup> Tacoma Power asserts that Bonneville’s leaning for a later binding season “sends the wrong message to the region and is not conducive to establishing a binding program as soon as possible.”<sup>78</sup>

AWEC, EWEB, NRU, and WPAG all support Bonneville’s leaning to elect a later binding season and NLSL Group explicitly supports an election of Summer 2028.<sup>79</sup> These commenters share that a later binding season is necessary to allow Bonneville the time to address the outstanding challenges it identified, including uncertainty in the program. The commenters also raise other specific topics for which they seek additional input and engagement from Bonneville, such as treatment of NLSLs and AHWM loads, issues associated with the SWEDE region, and clarifying details and requirements of the Operations Program.<sup>80</sup> AWEC, NLSL Group, and NRU share that the issues raised by commenters require additional time and engagement to resolve; they ask Bonneville to use that time to continue working with customers.<sup>81</sup>

EWEB and WPAG both acknowledge that there may be tradeoffs with a later binding season election.<sup>82</sup> WPAG recognizes how a late season election from Bonneville could influence other participants’ binding season elections, slow momentum for the program, and impact other participants’ business cases for participation in WRAP.<sup>83</sup> However, both EWEB and WPAG conclude that Bonneville must first address the outstanding risks and uncertainties before beginning binding participation.<sup>84</sup> Similarly, AWEC is uncertain whether Bonneville’s election of a late binding season would impact WRAP or other regional market development efforts but asks Bonneville to prioritize resolving outstanding issues that impact Bonneville’s customers first.<sup>85</sup> Finally, both AWEC and EWEB note that Bonneville may move up its binding season if doing so would be advantageous and appropriate.<sup>86</sup>

Additionally, PPC and WPAG both submitted comments requesting additional information regarding Bonneville’s binding season election, as discussed below.

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<sup>76</sup> Tacoma Power Comments at 1.

<sup>77</sup> See Tacoma Power Comments at 1; see generally Snohomish PUD Comments at 2.

<sup>78</sup> Tacoma Comments at 1.

<sup>79</sup> See Part VI (Bonneville’s binding season election) discussing Bonneville’s public meeting on its leaning of a late binding season election.

<sup>80</sup> AWEC Comments at 3 (noting issues with SWEDE region, NLSLs, and AHWM loads); EWEB Comments at 1 (on “Operational Program Details”); NLSL Group Comments at 1-2 (requesting details on Operational Program and questions on NLSLs); NRU Comments at 1 (citing NLSL, AHWM load, Operations Program, and SWEDE amongst other concerns); WPAG Comments at 4-5 (questions on SWEDE, NLSL and AHWM loads).

<sup>81</sup> AWEC Comments at 3; NRU Comments at 1; NLSL Group Comments at 2.

<sup>82</sup> EWEB Comments at 1; WPAG Comments at 4.

<sup>83</sup> WPAG Comments at 4.

<sup>84</sup> *Id.* at 5; EWEB Comments at 1.

<sup>85</sup> AWEC Comments at 5.

<sup>86</sup> *Id.* at 5; EWEB Comments at 1.

## Response

Bonneville agrees that the issues identified by many of the commenters need to be addressed.<sup>87</sup> Bonneville is optimistic that its binding season election will allow continuing interaction between Bonneville, customers, and other interested parties through its planned ongoing engagement so that those issues will become better understood as the WRAP's business practices are developed. As described above, Bonneville will benefit from non-binding participation during the transition period, such as gaining information by completing submittals in the Forward Showing Program and engaging in the Operations Program through the operational trial scheduled for Summer 2023 and non-binding Operational Program initiating in Winter 2024–2025. As WRAP refines the Forward Showing Program and stands up the Operations Program, Bonneville will gain experience and become more comfortable with the operation of the program. If Bonneville becomes more confident regarding the commenters' identified issues and the challenges Bonneville describes above, Bonneville may determine it is reasonable to move up the date to enter into the binding program to an earlier season, as suggested by AWEC and EWEB. There are other risks identified by customers and other interested parties, such as those identified by NLSL Group, that Bonneville will continue to work with customers and interested parties to address before any decision to join an earlier binding seasons.

Bonneville disagrees with Tacoma Power's assertion that Bonneville's selection of a later binding period sends the wrong message to the region. Bonneville has been involved with the development of the WRAP since its inception and has consistently voiced its support for development. Bonneville has been, and will continue to be, actively involved in the WRAP, such as in forums like RAPC, as the program continues to be developed. Tacoma Power also noted that Bonneville's decision to choose a later binding season will result in initial PRM to be much higher than necessary. While this may be the case, Bonneville does not believe that will jeopardize the overall success or ultimate purpose of the WRAP pending Bonneville's entry into the binding program. The concern expressed by Snohomish PUD and Tacoma Power that other load serving entities (LSE) will elect to delay along with Bonneville may also prove to be the case, but as with the concern regarding PRM, Bonneville does not believe some LSEs choosing a later binding season will be detrimental to the success of the program. Bonneville views WRAP participation as a long-term commitment, and its decision to join is a clear affirmation of that. Bonneville's binding season election to allow time for consideration and work on the issues above reflects the seriousness of Bonneville's commitment. In addition, the concern for a higher PRM will not be of concern for those LSEs choosing a later binding season similar to Bonneville. But most importantly, although there are many benefits from participating in a binding program as Snohomish PUD, Tacoma Power and WPP suggest, Bonneville must first address the challenges and issues noted by Bonneville in this letter and in the feedback from commenters.

Bonneville appreciates that EWEB, NLSL Group, NRU and WAPG agree with the benefits outlined by Bonneville for the selection of a later binding season. Bonneville agrees with AWEC's statement that the issues it identified in its comments "should be resolved well in

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<sup>87</sup> See WPP Dec. 8 Notice. With respect to concerns that Bonneville's later binding season election may discourage other potential WRAP participants, WPP has announced that 11 entities have indicated their commitment to participate in the program.

advance of any applicable two-year notification requirement for exiting the program.”<sup>88</sup> And, Bonneville concurs with AWEC, EWEB and Snohomish PUD that if these outstanding issues have been satisfactorily answered before its original election season, Bonneville may move its election up to an earlier season. If, two years out from Bonneville’s election season, outstanding issues continue to remain unanswered, Bonneville will make a determination at that time on whether to exit its participation in the WRAP.

### Conclusion

Bonneville will select Winter 2027–2028 as its binding season. Bonneville commits to continued engagement with customers and other interested parties as it addresses the outstanding issues identified in the November 1, 2022, meeting. Based on Bonneville’s experience with the program and the resolution of outstanding issues, Bonneville may reevaluate whether to move up its binding season.

### Commenters’ Feedback (*request for a stress test or decision criteria*)

AWEC asks Bonneville to conduct an “operational stress test” within the WRAP in order to simulate the requirements and effects if a resource adequacy event would take place.<sup>89</sup> AWEC explains that conducting a stress test would ensure issues could be addressed and Bonneville could reassess participation prior to its first binding season.<sup>90</sup> Additionally, AWEC notes utilities and their consumers may benefit as well “to ensure operational requirements are met, options have been considered and are in place, and that the downstream effects of [Bonneville’s] participation are generally known.”<sup>91</sup>

NLSL Group notes that the WRAP Operational Program details need to be further defined in advance of Bonneville’s first binding season. NLSL Group recommends that Bonneville develop an additional decision criteria that would be used to evaluate the impacts of the Operations Program on customers.<sup>92</sup>

### Response

Bonneville is electing a later binding season to allow time to gain a better understanding and address the challenge of operational uncertainty, as explained above. As discussed, Bonneville intends to use this time and its participation as a non-binding participant in WRAP to help clarify the scope of issues Bonneville may need to manage as a binding participant in this later season. This participation will include experience with the Operations Program through the operational trial scheduled for Summer 2023 and offering voluntary holdback in the binding Operations Program. As a non-binding participant, during the WRAP transition period Bonneville will continue to learn and gain experience with the Operations Program. Additionally, Bonneville will participate in development of and provide input on the business practices that will document the implementation details and requirements for the Operations Program. Finally, Bonneville intends to engage customers on its understanding of the Operations Program in its planned customer engagement as described in Part IV of this letter. At this time, Bonneville does not

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<sup>88</sup> AWEC Comments at 1.

<sup>89</sup> *Id.* at 4.

<sup>90</sup> *Id.*

<sup>91</sup> *Id.*

<sup>92</sup> NLSL Group Comments at 1.

intend to implement a stress test or develop additional criteria to assess operational uncertainty. Bonneville is confident that the steps outlined above will allow it to identify any impacts the Operations Program may have on both Bonneville and its customers.

### Conclusion

Bonneville will manage questions around operational uncertainty through its non-binding participation in the WRAP and update customers through Bonneville's planned customer engagement. Bonneville will work with customers to describe and evaluate impacts of entering the binding Operations Program. However, Bonneville will not implement any specific stress test or additional criteria outside its participation in the WRAP.

### Commenters' Feedback (*request for additional detail or information*)

PPC requests additional information on the outstanding challenges Bonneville identified in the November 1, 2022 decision process meeting in the following areas: 1) availability of transmission between loads in the SWEDE region and the FCRPS creates risks for Bonneville that may result in costs in the Forward Showing Program; 2) uncertainty in details and requirements for the Operations Program; 3) identifying and implementing internal Bonneville system updates and/or business processes necessary to support participation in the binding program; and 4) alignment with timing for joining emerging regional markets.<sup>93</sup> PPC asks Bonneville to state the outstanding issues related to each of those items and share the process Bonneville will follow for customer outreach in order to determine the impacts for Bonneville's participation in a binding season.<sup>94</sup>

WPAG requests additional information on how Bonneville's concerns regarding the submission of one workbook or two for the Forward Showing program and the availability of transmission in the SWEDE region relates to Bonneville's binding season election.<sup>95</sup>

### Response

Bonneville updated Part VI of this letter to clarify its understanding of the challenges Bonneville identified in the November 1 decision process meeting. Additionally, Bonneville has shared that its plan for ongoing stakeholder engagement (as discussed above at the end of Part IV of this letter) would include engaging customers on the resolution of the challenges Bonneville has identified as potentially impacting its participation in a binding season. This stakeholder engagement will continue through Bonneville's first binding season.

### Conclusion

See the previous sections for a discussion on issues to be resolved prior to Bonneville's first binding season.

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<sup>93</sup> PPC Comments at 7.

<sup>94</sup> *Id.*

<sup>95</sup> WPAG Comments at 4.

## Part VII: Bonneville's need for a non-conforming Western Resource Adequacy Program Agreement

Throughout the WRAP initiative, Bonneville worked with WPP and participants to ensure that the program's governance structure would be sufficiently flexible to accommodate the jurisdictional diversity of its participants. Specifically, Bonneville communicated its need to participate in a manner that is consistent with its statutory authorities and other legal obligations and that its participation must be subject to limited oversight by FERC (i.e., FERC oversight should be narrow and only apply to those activities that participants have agreed to in the governing documents). Bonneville and WPP agreed to address Bonneville's participation needs through the development of a non-conforming Western Resource Adequacy Program Agreement (WRAPA). While those efforts are ongoing, the following summarizes Bonneville's needs and expectations for its non-conforming participation agreement.

Participation in the WRAP must ensure the Bonneville Administrator retains the ability to exercise statutory authorities and satisfy obligations. WPP's board can modify the WRAP Tariff and the participation agreement on its own authority and file such changes with FERC. Consequently, although it is unlikely, it is possible that substantive obligations under the WRAP Tariff and participation agreement could be adopted and amendments could be made on a timeline that would not offer a participant the ability to exit the program according to the normal notice requirement of two years if the participant objected to such modifications. Bonneville needs limitations on this aspect of the governance structure. Bonneville has identified the following areas of the participation agreement as needing provisions that are unique to Bonneville:

- Statutes and non-jurisdictional status: Bonneville's participation agreement needs a provision ensuring that Bonneville's participation in the WRAP is consistent with its statutes and status as a non-public utility under the Federal Power Act.
- Modifications to the WRAP Tariff, business practice manuals and participation agreement require express consent or ability for Bonneville to exit early: The WRAP Tariff gives WPP's board broad decision-making authority over the WRAP (tariff, business practices, and participation agreement). Bonneville's participation agreement needs to preclude delegation of federal executive authority to any private actors.
  - WRAP's participation agreement: Section 6 of the pro forma WRAPA states that WPP "may amend the terms and conditions of this *Agreement or the Tariff* by notifying the participant in writing and making the appropriate filing with FERC, subject to any limitations on WPP's authority to amend the Tariff as set forth therein."<sup>96</sup> Bonneville's non-conforming participation agreement needs language requiring Bonneville's written consent for amendments to its agreement.
  - The WRAP Tariff and business practice manuals: The WRAP Tariff and business practice manuals may be modified pursuant to RAPC vote with board approval. The board also can modify the tariff on its own authority and file such changes with FERC. This applies to substantive program and governance rules, as well as to the rates applicable under the WRAP Tariff. Consequently, it is

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<sup>96</sup> WRAP Tariff, Attachment A (emphasis added).

possible that the tariff and substantive business practice manuals could be adopted/amended to change substantive program obligations/liabilities on a timeline that would not offer a participant the ability to exit the program if the participant objected to such modifications. Bonneville's participation agreement needs limiting language addressing these provisions. Bonneville expects its non-conforming participation agreement to include the right to withdraw early from the program, subject to certain limitations, if Bonneville objected to a new tariff modification or business practice *and* such change is to be implemented on less than 24 months' notice, which would otherwise allow for a normal withdrawal.

- Indemnification, default allocation assessment, and Schedule 1, WRAP Administrative Recovery Charge: The WRAP Tariff has a broad requirement for participants to indemnify WPP and includes a default allocation assessment requiring WRAP participants to cover costs associated with another participant's default. Schedule 1 of the WRAP Tariff establishes a formula rate by which WPP will recover its costs of administering and operating the program. It contains a maximum rate but allows the board to increase that rate pursuant to a FERC filing. Bonneville's participation agreement needs limiting language addressing these provisions.
- General contract provisions: Bonneville's participation agreement also needs general contract language to reflect that its agreement is subject to federal law.

Bonneville is working with WPP to develop a non-conforming participation agreement that upon agreement of both parties WPP will file the agreement with FERC.

#### Commenters' Feedback (*statutory authorities/obligations; opportunity for review*)

PPC, WPAG, and AWEC comment that Bonneville's non-conforming agreement must ensure that Bonneville's obligations as a participant in the WRAP are consistent with its statutory authorities and obligations. Their concerns place particular emphasis on Bonneville's statutory preference obligations. Commenters request that Bonneville make the non-conforming agreement available before WPP files it with FERC. WPAG further requests an opportunity to engage and provide feedback on the non-conforming agreement and any business practices addressing preference. Additionally, WPAG expresses support for the key provisions in Bonneville's non-conforming agreement that Bonneville identified in the draft letter, including language that would require Bonneville's express consent to tariff changes, or the ability to exit earlier than the 24-month standard exit period, subject to certain limitations.

#### Response

Bonneville and WPP will continue work to finalize a non-conforming agreement in a manner that aligns both with the areas identified in the draft letter and that fits best within WRAP's structure. Bonneville's priority is to resolve concerns raised in its public process. Consequently, as further discussed in Section VIII of the Final Closeout Letter, Bonneville, WPP and preference customers recently collaborated on a solution to address customer concerns as to how Bonneville's statutory preference obligations will be addressed in the WRAP. This collaboration led to agreed-upon language that WPP will "endorse, propose, and advocate" in its stakeholder process for the requisite WRAP business practice. Bonneville interprets this language as a practical process that will implement general language in the non-conforming agreement that

will ensure Bonneville’s obligations in the WRAP are consistent with its statutory authority and obligations.

### Conclusion

After it issues its final decision, Bonneville anticipates finalizing its non-conforming agreement and will work with customers to ensure transparency and address concerns related to provisions before WPP files it with FERC.

## Part VIII: Evaluation of Bonneville’s Participation Principles

Bonneville committed to using the following five participation principles in its decision process:

- Bonneville’s participation is consistent with its statutory, regulatory, and contractual obligations.
- Bonneville will maintain reliable delivery of power and transmission to its customers.
- Bonneville’s participation is consistent with a sound business rationale.
- Bonneville’s participation is consistent with the objectives of Bonneville’s strategic plan.
- Bonneville’s evaluation of WRAP participation includes transparent consideration of the commercial and operational impacts on its products and services.

These principles and this approach are consistent with Bonneville’s Western EIM participation principles and decision process. The following discussion addresses each principle in turn.

### *Bonneville’s participation is consistent with its statutory, regulatory, and contractual obligations.*

Participation in a regional resource adequacy program is a decision that falls within Bonneville’s statutory authority to purchase power on a short-term basis.<sup>97</sup> WRAP participation would assist Bonneville in assuring it has adequate supply to meet its contract obligations. This is analogous to Bonneville’s current participation in the wholesale spot market where Bonneville contracts on a short-term basis to meet its contract obligations. Similarly, Bonneville has broad authority to contract under the Bonneville Project Act,<sup>98</sup> but must exercise this authority within the confines of its other statutes.

The WRAP offers a regional tool for planning for resource adequacy and providing a back-up supply for participants facing shortages that cannot be solved through the bilateral market. Nothing in Bonneville’s statutes or applicable regulations prohibits Bonneville from participating in this type of resource adequacy program. Bonneville has worked with the WRAP and the other participants throughout the WRAP development to ensure the rules of the program are consistent with Bonneville’s statutes regarding the disposal of surplus power and the acquisition of short-term replacement power. In addition, participation in WRAP’s Forward Showing Program and the Operations Program would not impact any of Bonneville’s existing power or transmission contractual obligations.

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<sup>97</sup> Transmission System Act, 16 U.S.C. § 838i(b)(6) (2020).

<sup>98</sup> Bonneville Project Act of 1937, 16 U.S.C. § 832a(f) (2020).

Throughout Bonneville’s public process some customers raised concerns regarding how Bonneville’s preference obligation would apply if Bonneville participates in the WRAP’s binding Operations Program. Pursuant to Section 4(a) of the Bonneville Project Act,<sup>99</sup> Bonneville is required to give preference and priority to public bodies and cooperatives. This preference is preserved through the Regional Dialogue contracts. In addition, Bonneville also provides priority to surplus federal power because preference also applies to surplus that is not committed by contract.<sup>100</sup> When Bonneville seeks to sell its surplus energy or capacity, it provides notice to preference customers regarding the proposed sale and those preference customers have priority to purchase before non-preference customers. Bonneville currently provides a daily notice in which all preference customers can see whether Bonneville has surplus power available.

By Bonneville joining the binding WRAP, Bonneville will be bound by the terms of the WRAP Tariff, which includes the obligation to “holdback” capacity for the Operations Program. Participants that are forecast to have more than adequate resources (power supply) to serve their load during the winter and summer seasons may be designated to holdback some amount of their surplus that can be used to assist other participants that may be deficit in the operational period. A holdback is defined in the tariff as a “MW quantity, as determined on a Preschedule Day, that a Participant is required to be capable of converting into an Energy Deployment on a given hour of the succeeding Operating Day . . . .”<sup>101</sup> During the development of the WRAP, parties have estimated the minimal hours the program could be deployed at around 12 to 20 events in total over a year. Notably, WRAP’s Operations Program is set up so that some or all of the holdback amount will be released from the program as it moves closer to the day of delivery, and the released capacity could become surplus that Bonneville can put to other uses, and preference could apply to that capacity.<sup>102</sup>

For purposes of evaluating concerns raised regarding preference in relation to WRAP participation, it is important to understand how preference customers would be affected by the program. As a participant in the WRAP, Bonneville would be taking on the LRE responsibility for all load following customers and would be contractually bound to meet its firm power contractual obligations regardless of any obligations under the WRAP. The WRAP would provide Bonneville with a last backstop for the capacity to serve its firm power contractual obligations if Bonneville were to be deficit and could find no other bilateral counterparties.

Bonneville’s Slice and Block customers would continue to be responsible for their own load service responsibility, just as they are today. Those customers have the option of participating in the WRAP or remaining solely responsible for their own loads. Slice and Block customers could also accrue higher benefits from WRAP participation if Bonneville joins in terms of PRM reduction and access to supply. As preference customers, the Slice and Block customers have a right to purchase surplus power from Bonneville ahead of non-preference customers whenever

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<sup>99</sup> 16 U.S.C. § 832c(a) (2020).

<sup>100</sup> See *Aluminum Co. of Am. v. Cent. Lincoln Peoples’ Util. Dist.*, 467 U.S. 380, 395 n.10 (1984) (“[A]s was the case prior to the Regional Act, preference continues to govern the allocation of all power that is not committed by contract.”).

<sup>101</sup> WRAP Tariff § 1 (emphasis added).

<sup>102</sup> Section 19 of the WRAP Tariff outlines the “Timeline” for the “Multi-Day-Ahead Assessment.” This period of the Operations Program is described as a period of seven days leading up to the Operating Day.



Bonneville indicates it is surplus. This is the case whether or not the Slice and Block customer has elected to join the WRAP.

WRAP's Operations Program is intended to be a last resort safety net that will rarely actually make power deliveries. The intent of the program is to ensure participants recognize when they may face a deficit so that they secure additional capacity on the bilateral market in the days leading up to the day of delivery. This is incentivized by the high costs associated with deliveries made under the Operations Program. Slice and Block customers that participate in the WRAP would know if they were deficit going into the operations time window. If Bonneville had surplus, those customers would be able to cure their deficit by making a bilateral purchase from Bonneville. If some of Bonneville's holdback were to be released under the WRAP, Bonneville would potentially have more surplus available if it is needed by those customers. As the WRAP Operations Program rules are further refined and the business practice manuals are developed, Bonneville may adjust its surplus notice practices to better align with the WRAP holdback rules.

Some customers' comments have suggested that to comply with preference, Bonneville would need a carve out in the program to ensure that if the program holdback amount is not enough to cover all deficit participants, Bonneville's portion of the holdback would be allocated to preference customers participating in the WRAP that are deficit and not to a non-preference participant.

While the concern raised in customer comments addresses a scenario unlikely to play out in the WRAP, Bonneville takes this concern seriously and will address it. The program is being set up so that it creates a conservative holdback of surplus, as defined under the program requirements, that is excess of any regional deficit. In other words, from WPP's perspective, the program should never come up short, and the scenario posited by the preference customer comments should never occur. Slice and Block customers that join the program would have awareness multiple days in advance that they are deficit and that they need to make bilateral arrangements or face the excessive cost of deliveries under the Operations Program. If Bonneville were to be surplus, those customers could take advantage of Bonneville's preference obligation and make a bilateral arrangement with Bonneville to cure their deficit.

While Bonneville believes a preference customer's needs for federal power can be met through bilateral arrangements, as described in the preceding paragraph, Bonneville has worked with WPP and customers to ensure that Bonneville can meet its obligations under the Operations Program in a manner that is consistent with Bonneville's statutory preference requirements with respect to holdback allocations. Under the current program design, if a Bonneville preference customer that participates in the program does not cure its deficit and instead relies on the Operations Program to serve its load, and if the program did not have enough holdback to serve all the deficit loads, the program does not currently ensure that the Bonneville preference customers would be given preference to federal power in the allocation of the holdback. As discussed below, Bonneville collaborated with WPP and customers to develop a solution to address this scenario and ensure consistency of Bonneville's statutory preference obligations in the Operations Program.

#### Commenters' Feedback (*Bonneville's statutory preference obligations*)

Commenters stress that Bonneville's participation in the WRAP must be consistent with its statutory obligations, most notably Bonneville's statutory obligations for preference. PPC and

WPAG focus on how Bonneville and WPP would implement the application of preference in the WRAP. Other public bodies, such as AWEC, Franklin PUD, and Snohomish PUD, echo their concerns.

PPC points to meetings between Bonneville and PPC (on behalf of their public body constituency) addressing different scenarios that could play out under WRAP. “[I]t became clear that in the long and mid-term time horizons Bonneville would be able to meet its statutory preference obligations through continuing to implement its planning and marketing practices as it does today.”<sup>103</sup> PPC recognizes that the vast majority of scenarios discussed present no issue for Bonneville in terms of meeting its preference obligations under the WRAP since deficit preference and non-preference participants in the WRAP would have their needs met by the program.<sup>104</sup> However, in a short-term scenario labeled the “edge case” a question is raised as to whether a WRAP participant that is a preference customer would be given priority access to federal power over a non-preference participant in the allocation of Bonneville’s holdback.<sup>105</sup> Specifically, in this edge case scenario, (i) Bonneville would have been directed by the program operator to holdback capacity, (ii) as the program enters the operations stage Bonneville’s capacity would be needed to meet both participants’ needs, and (iii) Bonneville has insufficient capacity to do so.<sup>106</sup> PPC comments that Bonneville has acknowledged that in this scenario its statutory preference obligations allow the preference customer the right to purchase the surplus power from Bonneville ahead of the non-preference WRAP participant.<sup>107</sup>

PPC highlights Bonneville’s commitment in its Draft Closeout Letter to address this edge case by working with WPP to develop a WRAP business practice or protocol to identify the preference status of a participant and to have that status carried forward into the Operations Program.<sup>108</sup> In recognition of concerns around preference, WPP submitted comments on the Draft Closeout Letter highlighting Bonneville’s need for a non-conforming participation agreement to ensure Bonneville’s participation in the WRAP would not put Bonneville in a position of violating its statutes. WPP said that additional discussion is warranted regarding whether, and if so where, more should be stated with respect to Bonneville’s compliance with statutory obligations, specifically in the context of public power preference.<sup>109</sup> Additionally, WPP proposed language including principles that it suggested could be used to govern the development of a WRAP business practice or that could be included as a letter from WPP expressing certain understandings on this issue.

## Response

There is no disagreement between Bonneville and its preference customers regarding Bonneville’s obligation to accord preference and priority to public bodies and cooperatives in the disposition of federal power.<sup>110</sup> The intent of the WRAP is to ensure participants recognize when they may face a deficit so that they secure additional capacity on the bilateral market in the days

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<sup>103</sup> PPC Comments at 3.

<sup>104</sup> *Id.*

<sup>105</sup> *Id.*

<sup>106</sup> *Id.*

<sup>107</sup> *Id.* (citing the Draft Closeout Letter at 24).

<sup>108</sup> *Id.* at 4.

<sup>109</sup> WPP Comments at 2.

<sup>110</sup> Bonneville Project Act of 1937 (16 U.S.C. § 832c(a) (2020)).

leading up to the day of delivery. WRAP's Operations Program is intended to be a resource of last resort safety net that will rarely actually make power deliveries. The posited scenario in the edge case, however, raises the situation where Bonneville has no surplus power (energy and capacity) beyond the holdback amount and the program is not able to meet all deficit needs. Assuming Bonneville was unable to provide energy sufficient for the entire holdback, there would be competing and/or conflicting requests for that federal power. In that situation, the preference clause directs the Bonneville Administrator to dispose the surplus to the preference entity. Additionally, there could be a non-participating preference entity requesting to purchase available surplus. If the only surplus at the time was the amount of Bonneville's holdback, then Bonneville would be obligated to offer that power to the preference entity. Alternatively, if Bonneville is among several participants selected to holdback capacity that in aggregate meets or exceeds the program operation's deficits, then a participating preference entity in the WRAP that has a deficit would get its need met regardless of the power coming from Bonneville.

Under the WRAP, Bonneville would not be making a direct disposition of the federal power since all participants agree the program operator will direct the release of holdback amounts. In that sense, the program is a black box. Participants do not know which participants are deficit and which are surplus and have been elected to have holdbacks made. As such, Bonneville would be blind to the identity of participants in need assuming Bonneville has been tagged to holdback surplus power. Without the ability to know the preference/non-preference identity of a participant, Bonneville suggested to customers that if a preference entity has forecast a need, it should notify Bonneville.

Bonneville has been clear throughout the initiative that its commitments under the WRAP Tariff must be consistent in all respects with Bonneville's statutory authorities and obligations. As for receiving some form of accommodation in the WRAP that would address Bonneville's preference obligation, that requires resolution with WPP consistent with the process defined under the WRAP Tariff. As noted, Bonneville expressed its commitment in the Draft Closeout Letter to work with WPP to address this issue within the program and initiated discussions with the WPP. Bonneville also sought to address the preference issue outside the scope of the WRAP by encouraging a deficit preference entity to seek or provide notice to Bonneville that it needs additional power:

Failing to correct this with the WPP, should a preference customer participant find itself in deficit, it can notify Bonneville of its need. Bonneville will either sell the needed amount with available surplus or purchase such amount to meet the customer's emergency request. Bonneville recognizes that its Slice and Block customers also have the ability to take action to acquire needed power from the market.<sup>111</sup>

This is consistent with Bonneville's current surplus sales notices and practices.

Following the Draft Closeout Letter, Bonneville worked with WPP and public power to address the issue. It was clear that resolving the matter through a WRAP business practice implemented in the Operations Program was untenable. In the alternative and in line with WPP's comments submitted on the Draft Closeout Letter, WPP committed to the development of a business practice that would be specific to Bonneville and would address the edge case scenario, after the fact, in the WRAP. The practice would create a presumptive waiver of the delivery failure charge

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<sup>111</sup> Draft Closeout Letter at 25.

if Bonneville establishes that its statutory preference obligations precluded its ability to meet the energy deployment obligations in the Operations Program.

As a result, Bonneville, WPP, and preference customers collaborated to refine WPP's solution to address customer concerns. This collaboration led to language for use in a future business practice that will establish the basis for a waiver of the delivery failure charge under section 20.7.3 of the WRAP Tariff (and of any other charge that would be assessed as a result of an energy delivery failure). WPP has committed to "strongly endorse, propose, and advocate" for adoption of the following language in a business practice through WRAP's stakeholder process:

The Operations Program may at times obligate BPA to "holdback" federal power that BPA has determined to be surplus (as defined by Bonneville's governing statutes), but does not address the circumstance where BPA determines it must provide that surplus to a preference customer before supplying to a non-preference Program Participant.

Therefore, to enable BPA to comply with its statutory preference obligations while participating in the Operations Program, it is recognized that the following waiver of the Delivery Failure Charge (and of any other charge that would be assessed as a result of an energy delivery failure) is presumptively established if: (1) BPA determines it is unable to meet a WRAP holdback allocation or delivery obligation under the WRAP Tariff Operations Program because of BPA's obligation to give preference and priority in disposing of federal power; and (2) BPA provides assurance to the WPP Board in an attestation that BPA would have violated its obligation to give preference if it had met its WRAP obligation. BPA will attest to the following limiting factors:

- a) BPA could not deliver the full amount of its WRAP-required energy deployment without violating BPA's obligation to give preference and priority when disposing federal power, including a summary of the facts that resulted in the conflict with BPA's WRAP obligations and BPA's preference obligations;
- b) To avoid conflict, BPA relied to the extent practicable on its available power supply not committed to WRAP. However, BPA forecasted, based on best available information and data at the time of the holdback operational period, an inability to use operational flexibility to produce additional surplus federal power given non-power constraints and environmental obligations during the holdback operational period or without significantly altering operations in a manner that would jeopardize BPA's ability to meet future firm load obligations (provided that, BPA took reasonable actions, including market purchases, to mitigate potential jeopardy);
- c) BPA was unable to acquire additional power, either in the market or through WRAP, during the holdback operational period in the amount requested by WPP; and
- d) BPA notified WPP of the expected Energy Delivery Failure as soon as practicable after becoming aware of the anticipated failure.<sup>112</sup>

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<sup>112</sup> At a December 13, 2022 meeting at RAPC considering the business practice language, RAPC members voted to approve WPP's commitments to this proposal. RAPC Meeting Minutes, at 2 (December 13, 2022), *available at* [https://www.westernpowerpool.org/private-media/documents/2022-12-13\\_RAPC\\_Minutes.pdf](https://www.westernpowerpool.org/private-media/documents/2022-12-13_RAPC_Minutes.pdf).

## Conclusion

Bonneville finds that the solution developed through the collaboration of Bonneville, WPP, and preference customers is responsive to the comments submitted in response to the Draft Closeout Letter. Bonneville has determined that the agreed-upon language for the WRAP business practice is consistent with its expectations for its non-conforming agreement to contain provisions that expressly ensure Bonneville's obligations under the WRAP are consistent with its statutory authority and obligations, including Bonneville's statutory preference obligation.

*Bonneville will maintain reliable delivery of power and transmission to its customers.*

The WRAP provides Bonneville and the region a viable solution to address the generation reliability problems described above in the regional context, such as the risks of power shortages (and possible blackouts) because of insufficient capacity or an over-reliance on a diminishing spot market. Bonneville's participation in the WRAP would bolster Bonneville's ability to assure the supply of power by providing Bonneville with new tools to plan and meet load service obligations. For example, as Bonneville explained in the September 29, 2022 decision process meeting presentation on "Business Case," the WRAP establishes a regional capacity requirement and the program completes a compliance review from the WRAP program operator of participants' forward showing submittals. Bonneville would be able to integrate program metrics and evaluations into its planning processes to better assure meeting load service obligations. Additionally, Bonneville's participation in the WRAP's binding program would provide access to the diversification of capacity if there is a need, or offer opportunities for Bonneville to provide capacity if other entities in the West are in need. The Operations Program would identify participants' positions in relation to their forward showing submittals to identify holdback of calculated surplus that would be available to participants with a calculated deficit in hours of highest need.

Bonneville's participation in Phase 3B of the WRAP should have no impact on the reliability of transmission service to Bonneville's customers or the region. Importantly, WRAP participation expects no changes to Bonneville's current Open Access Transmission Tariff (OATT) or current transmission business practices. As a result, there would be no changes to how Bonneville's transmission customers acquire or schedule transmission service due to the WRAP.

Additionally, WRAP participation would not change and has no impact to Bonneville's responsibilities in how it operates or manages the Federal Columbia River Transmission System, including how Bonneville operates as a balancing authority area or its function as a transmission operator. WRAP participation would also require no changes to customers' Regional Dialogue power sales contracts. In addition, as discussed in the September 29, 2022 decision process meeting presentation on other Bonneville initiatives, products have not yet been developed in the Provider of Choice contract development, so any impacts from the WRAP would be discussed and incorporated as those initiatives are developed.

As discussed above, the WRAP would provide Bonneville with additional tools to serve load and dispose of surplus capacity and energy, but it would have no negative effect on Bonneville's core power functions of delivering federal power to its preference customers.

Commenters' Feedback (*implications for transmission business practices*)

NRU seeks to understand if Bonneville’s participation in WRAP will result in any updates to Bonneville’s Transmission business practices.<sup>113</sup>

### Response

As part of this evaluation of the WRAP, Bonneville considered impacts to Bonneville’s transmission policies and expects no changes to Bonneville’s OATT or Transmission business practices as to: how customers acquire transmission service; how Bonneville operates and manages its transmission system; or scheduling and tagging requirements or curtailment procedures.

### Conclusion

At this time, Bonneville is not making any updates to its Transmission business practices due to Bonneville’s participation in the WRAP.

### *Bonneville’s participation is consistent with a sound business rationale.*

The development of the WRAP comes at a critical time as Bonneville and other entities throughout the region and the West take a measured look at how to assure resource adequacy. A fundamental purpose for Bonneville in supplying firm power under its long-term power sales contracts is to assure an adequate supply of power.<sup>114</sup> Bonneville has determined that the WRAP is a tool that can assist it in meeting its contractual firm obligations. Faced with acquiring resources to assure an adequate supply, it is consistent with sound business principles for Bonneville to consider the opportunity to participate in the WRAP. As the spot market is expected to change from being a fairly reliable source of supply to perhaps a riskier and uncertain source, it is incumbent on Bonneville to consider alternatives that address Bonneville’s resource and power supply needs. Bonneville does so as directed by its statutes with a business oriented philosophy toward acquiring cost-effective resources.<sup>115</sup> By joining and participating with other entities within the WRAP, Bonneville would be able to share in the greater community of pooled resources to meet load obligations and avoid the unexpected risks of having to go it alone. Further, Bonneville’s first forward showings for Winter 2022–2023 and Summer 2023 show that it is currently surplus and thus has a low likelihood of incurring CONE charges. Participation in a robust WRAP would encourage utilities throughout the region to identify any deficits and resolve them in advance, which would protect the value of the Federal Columbia River Power System to the extent Bonneville has surplus that can cure deficits as well as improve the availability of capacity in the future for all entities.

The WRAP is intended to ensure utilities and other load serving entities that join have physical resources that are adequate to serve load, including capacity, and the associated firm transmission needed to reliably serve load. Bonneville is mindful that in light of recent state legislative efforts to enact clean energy laws and carbon emission reduction programs in Washington and Oregon, Bonneville and many of its customers expect to see increasing change in the region’s resource mix. Bonneville expects individual customers’ resource needs would change to meet compliance standards under these new state-led programs. Bonneville anticipates that those future needs would be met with renewable resources, like wind and solar. Therefore,

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<sup>113</sup> NRU Comments at 1.

<sup>114</sup> 16 U.S.C. § 839(2) (2020).

<sup>115</sup> 16 U.S.C. § 839d(d) (2020).

assuring resource adequacy through ensuring there is capacity available is consistent with sound business rationale.

*Bonneville's participation is consistent with objectives of Bonneville's strategic plan.*

Bonneville's participation in the WRAP is consistent with Bonneville's 2018–2023 Strategic Plan.<sup>116</sup> The strategic plan sets forth Bonneville's high-level objectives to ensure Bonneville's competitiveness and ability to continue to meet the needs of customers as well as regional future needs. Bonneville's participation in the WRAP supports meeting Objective 3b, *Address market and regulatory barriers to capturing the clean energy and capacity value of the Federal Columbia River Power System*, by allowing Bonneville to capture the value of Bonneville's flexible, low-carbon and reliable generation portfolio in the WRAP. Second, Bonneville's ability to increase revenue with sales opportunities of surplus in the WRAP Operations Program aligns with Objective 3a, *Increase power revenues through new market opportunities for clean capacity*.

Additionally, the WRAP aligns with Strategic Goal 2, Modernize assets and system operations, as Bonneville implements business process and system improvements via Grid Modernization that will ultimately support Bonneville's participation in the WRAP, such as integrating new metrics into Bonneville's power planning processes. This will help position Bonneville to more effectively manage the federal power system and be competitive regionally in the years to come.

As explained above, Bonneville's participation in the WRAP complements Bonneville's engagement and exploration of regional market developments. Participation in the WRAP would allow Bonneville to build off its experience in recently joining the Western EIM and in the evaluation of regional day-ahead markets, including SPP Markets+, which may require participation in the WRAP or an equivalent resource adequacy program for participation.

Finally, Bonneville's participation in the WRAP would help protect Bonneville's and customers' interests. Bonneville's continued engagement with the WRAP would help shape the implementation of the program within the region in a way that works for Bonneville. This would give Bonneville an opportunity to achieve the following potential benefits.

- Proactively set a standard rather than waiting for other entities, such as WECC, to mandate generation reliability standards on the region.
- Regional collaboration and goodwill from Bonneville's participation in the WRAP could build trust that facilitates progress across other initiatives with customers, stakeholders, and state regulatory bodies.
- Increased access to generation and load data by the WRAP program operator would help forecast needs to better assure LREs would be able to meet their load serving obligations.

Bonneville's participation in the WRAP would be consistent with broader Bonneville strategic goals as well as specific objectives in the 2018–2023 Strategic Plan. WRAP participation would aid Bonneville's exploration of new regional market opportunities and may help to foster a space for Bonneville to collaborate with customers and stakeholders. Specifically, as Bonneville

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<sup>116</sup> <https://www.bpa.gov/-/media/Aep/about/who-we-are/strategic-plan/2018-strategic-plan.pdf>.

explained in its 2020 Strategic Plan Update,<sup>117</sup> participation in a resource adequacy program such as the WRAP would meet specific objectives because joining such a program “may create new opportunities to monetize the flexible capability of the federal hydropower system and serve as a resource in the event Bonneville determines it has a need for power.”

*Bonneville’s evaluation of WRAP participation includes transparent consideration of the commercial and operational impacts on its products and services.*

Bonneville conducted a transparent consideration of the commercial and operational impacts to both its power and transmission products and services as part of its evaluation of participation in the WRAP. As described in Part IV of this letter, Bonneville specifically addressed the impact and implication of WRAP participation in its presentations for the engagement workshops and decision process meetings. For example, as explained above in Bonneville’s evaluation of the principle, “Bonneville will maintain reliable delivery of power and transmission to its customers,” there are no impacts on transmission products and services, including how Bonneville will operate or manage its transmission system.

In workshops, Bonneville explained that participation in the WRAP would result in some changes to Bonneville’s power planning processes. First, Bonneville explained that participation in the WRAP would likely add new metrics for evaluation in the Resource Program. Bonneville also confirmed there would not be any change in how Bonneville operations and trading floor staff work today. Bonneville recognized that it would be necessary to develop and integrate processes for Bonneville to support forward showing submittals and accounting for forward showing requirements. For example, Bonneville explained that as its planning time horizon shifted toward real time, there would not be any process changes, but Bonneville would need to account for forward showing capacity requirements and would comply with any preschedule notice or releases in the Operations Program. Bonneville affirmed the WRAP timelines would not conflict with timelines for participation in the Western EIM. Bonneville also verified that the Winter 2022–2023 and Summer 2023 forward showing submittals confirmed Bonneville’s assumptions that it would have sufficient capacity and transmission to meet forward showing requirements.

Additionally, Bonneville clarified that it does not expect marketing of surplus power would be impacted in the long-term or mid-term planning horizons; however, as discussed above, Bonneville would need to account for surplus that was called upon by the program as holdback in relationship to preference needs. If Bonneville was unable to release the holdback or if it was eventually deployed to another deficit participant, Bonneville would be compensated at a settlement price that would be set above the market price as explained above in Parts III and V. Such revenue would be additive to Bonneville’s secondary or surplus revenue.

As Bonneville addressed specific impacts to its products and services under the long-term power sales Regional Dialogue agreements, Bonneville clarified that there would be no new modifications to existing products or services. However, Bonneville did identify a potential impact to Load Following customers using unspecified resources to serve NLSL and AHWM loads. Under the Regional Dialogue contracts, customers have the right to serve load with “unspecified resource amounts” and are responsible for bringing the power from those resources

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<sup>117</sup> <https://www.bpa.gov/-/media/Acp/about/who-we-are/strategic-plan/2020-strategic-plan-update.pdf>.



to meet those loads. These unspecified resources do not contribute to Bonneville's ability to meet forward showing requirements in the WRAP.

As an LRE participating in the WRAP, Bonneville would be responsible for the P50 total retail load ("TRL"), including all loads served by non-federal resources. Bonneville would need to include information about all resources used to meet the TRL, which would include NLSLs and AHWM loads served by non-federal resources. However, under the Regional Dialogue agreement, customers are obligated to supply the megawatt amounts, but do not have to provide specific resource information to Bonneville about any unspecified resources serving NLSL and AHWM loads. An additional complication arises from program requirements for resources to receive QCC under the WRAP; resources serving load must be physical resources or the power supply contracts must be traceable to a physical resource. The WRAP includes a load exclusion provision that allows specific discrete load that the participant is not the supplier for, to be excluded from program calculations, under mutual agreement of the participant and the entity serving that load. Without the resource information for the resources serving NLSL and AHWM loads or an agreement to exclude a specific discrete load, Bonneville would have to either allocate capacity from the federal system or acquire resources to account for a potential deficit position and avoid forward showing deficiency charges.

Bonneville recognizes that customers are able to use unspecified resources to serve NLSL and AHWM loads under Regional Dialogue contracts and may be utilizing resources such as WSPP Seller's Choice agreements that would not qualify for capacity under the program requirements. Bonneville made clear to customers, most recently in the September 29, 2022 decision process meeting, that Bonneville would not attempt to modify a customer's right to use unspecified resources. Instead, Bonneville has proposed an alternative rate to encourage customers to help Bonneville meet the requirements of the WRAP.

First, for NLSLs, Bonneville would offer customers using unspecified resources two options to work with Bonneville: (1) provide resource documentation to Bonneville to submit as part of the Forward Showing data submittal to the program so Bonneville could obtain QCC value for the customers' resources serving NLSL, or (2) work with Bonneville to follow the WRAP's exclusion process to exclude NLSL (not served by Bonneville) from the WRAP. Under the second option, the excluded NLSL (not served by Bonneville) would not be included in Bonneville's forward showing submittal and therefore would also not be part of Bonneville's Operations Program load. To incentivize customers to follow one of the options, Bonneville would establish a monthly charge, proposed in the BP-24 power rates settlement, if a customer did not submit an attestation necessary to exclude the NLSL from WRAP or the resource information to qualify for QCC.

For AHWM load, the exclusion process would not be available since this is a measurement of the customer's total load and is not connected to a discrete load such as a NLSL. Therefore, Bonneville proposed a credit under the BP-24 power rates settlement terms to incentivize customers to submit resource documentation that would allow Bonneville to obtain QCC value for the unspecified resources used to serve AHWM load. Customers who do not provide the additional information related to their unspecified resources used to meet AHWM load would not be eligible to receive the credit.

Some customers have questioned why Bonneville would be unable to allocate sufficient capacity to account for the NLSL and AHWM loads and whether or not it was fair to impose a charge or

credit for NLSL and AHWL respectively. Bonneville explained that if it were unable to identify resources that are used by a customer to meet either NLSL or AHWL loads, then Bonneville would have to rely on federal resources for capacity, placing a burden on the federal system and potentially limiting Bonneville's ability to use that capacity for other purposes. In a worst-case scenario, Bonneville would have to acquire capacity to account for the potential deficit related to the NLSL and AHWL loads. Bonneville's rate proposal strikes a reasonable balance in accounting for customers' existing contract right to use unspecified resources, but mitigates the risk of cost shifts Bonneville may incur to account for non-federal resources serving those loads. Bonneville also explained that it would share more details regarding the WRAP exclusion process as the program established requirements in WRAP business practice manuals.

Bonneville affirmed that there would be no other changes to other rates related to Bonneville's products and services, including the application of unauthorized increase charges, due to Bonneville's participation in the WRAP. Finally, in the business case in Part V of this letter, Bonneville explained how the costs associated with participation in the WRAP would be accounted for in Bonneville's rates.

Commenters' Feedback (*excluding customers that serve NLSLs from Bonneville's submittals to the WRAP*)

In their comments, AWEC, NLSL Group, NRU, PPC and WPAG raise additional questions about the WRAP load exclusion process and impacts of excluding customers' NLSLs from Bonneville's forward showing submittals. NLSL Group and NRU both ask about the impacts of excluding NLSLs for the Forward Showing and Operations Programs.<sup>118</sup> NLSL Group seeks to confirm that excluded NLSLs would not be subject to the Operations Program and for Bonneville to clarify the "mechanics of how this will work."<sup>119</sup> PPC also seeks to understand operational impacts for excluding NLSLs and asks if there would be any reliability impacts to customers that have excluded NLSLs.<sup>120</sup> WPAG shares that it believes there may be further costs and risks to NLSLs generally.<sup>121</sup>

AWEC and NLSL Group ask for additional details about the WRAP load exclusion process for NLSLs.<sup>122</sup> AWEC specifically asks Bonneville to engage interested stakeholders on the load exclusion process so Bonneville's participation in the WRAP may be informed by customer and consumer perspectives.<sup>123</sup> AWEC also asks Bonneville to clarify its own policy for load exclusion, including identifying areas for discretion and limits Bonneville may place on the load exclusion process outside the WRAP requirements.<sup>124</sup> Additionally, AWEC raises the need for Bonneville to engage its customers and stakeholders around the development of the attestation form for excluding loads within WRAP.<sup>125</sup> NLSL Group asks how information for the load

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<sup>118</sup> NLSL Group Comments at 1; NRU Comments at 1.

<sup>119</sup> NLSL Group Comments at 1.

<sup>120</sup> PPC Comments at 7.

<sup>121</sup> WPAG Comments at 4-5.

<sup>122</sup> AWEC Comments at 4; NLSL Group Comments at 2.

<sup>123</sup> AWEC Comments at 3.

<sup>124</sup> *Id.*

<sup>125</sup> *Id.*

exclusion process would be provided and the timing for providing the information for customers to attest NLSL exclusions.<sup>126</sup>

Finally, the AWEC, PPC, NRU and WPAG all raise the need for Bonneville to engage interested customers and stakeholders on these questions and concerns in order to provide clarity around the process, impacts for customers, and opportunity to provide feedback to Bonneville.

### Response

First, Bonneville acknowledges the need for additional engagement around the WRAP load exclusion process for NLSLs. During Phase 3A, a WRAP task force developed the contour for an exclusion of large loads served independently from the LRE which does not have any obligation to supply such loads. As such LREs have no resource/supply obligation and do not plan to serve those types of loads. While the task force outlines the basics for the exclusion, the specific program requirements for excluding load have not been set forth by the program, including the information required to support exclusion as well as the form, process and timing of attestations from the LRE and LSE. Bonneville has shared that WPP supports the exclusion in the situation where there is a single point metered load that is not served by an LRE or in other situations an LSE. Bonneville believes and is confident that the NLSL and the requirement that such load must be separately metered from the customer's general requirements load, will meet the criteria load exclusion.

Bonneville intends to engage customers and other interested parties as more information becomes available from the WRAP. Bonneville's engagement will also include clarifying proposals for Bonneville's own policies and requirements related to exclude NLSLs from the WRAP. Bonneville intends for the WRAP load exclusion process for NLSLs to be included as part of the stakeholder engagement, as described above in Part IV of this letter.

Second, Bonneville would like to clarify and address commenters' questions regarding the impacts from the Forward Showing and Operational Programs to loads excluded from the WRAP. Bonneville understands that loads that meet the program requirements and are excluded would only have limited impact in the overall Forward Showing Program and as excluded load would not be subject to the Operations Program. As described in the WRAP Participation Proposal, Bonneville would include excluded loads in its forward showing submittal, but would flag those loads as excluded from the program and provide any "requisite exclusion documentation" as part of Bonneville's submittal.<sup>127</sup> The excluded loads would not be included in determining Bonneville's forward showing requirements, and there would be no additional requirement on customers or Bonneville related to the excluded load beyond the requirements for the WRAP load exclusion process. For the exclusion process, Bonneville may only exclude loads by completing an attestation that reflects the mutual agreement between Bonneville and the customer.<sup>128</sup> That mutual agreement could be Bonneville's existing power sales contract. Exhibit A of that agreement identifies the customer, its NLSL and amount of load, and its dedicated

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<sup>126</sup> NLSL Group Comments at 2.

<sup>127</sup> WPP, RAPC Meeting Minutes, att. at 2 (June 14, 2022) (attached to 2022-05-26 RAPC Minutes), available at [https://www.westernpowerpool.org/private-media/documents/2022-05-26\\_RAPC\\_Minutes.pdf](https://www.westernpowerpool.org/private-media/documents/2022-05-26_RAPC_Minutes.pdf) ("WRAP Participation Proposal").

<sup>128</sup> *Id.*

NLSL resource(s). The attestation must reflect a mutual understanding between Bonneville and the customer of the potential reliability impacts for the load not being included in the WRAP.<sup>129</sup> Additionally, as explained above in the letter under the discussion of Bonneville’s third principle for WRAP participation “Bonneville will maintain reliable delivery of power and transmission to its customers,” Bonneville’s participation in the WRAP would have no impact on its reliability of transmission service, including how Bonneville operates as a balancing authority area or functions as a transmission operator. Finally, the Participation Proposal makes explicit that “[l]oad that has been excluded is not eligible to participate in the [Operations] Program.”<sup>130</sup>

As described above, Bonneville will engage customers and other interested parties on the exclusion of NLSLs from the WRAP. Although Bonneville does not anticipate loads excluded from the program to be impacted by the Forward Showing or Operations Programs, Bonneville will share if there are any possible impacts identified as requirements are developed by the program. Finally, as the process and requirements for excluding loads from the WRAP is finalized, Bonneville will be able to share the program details with Bonneville’s own policies and processes designed to interact with those requirements, as well as if it has identified any additional impacts, including costs or other risks.

### Conclusion

At this time, Bonneville has not identified any additional impacts from the program on excluded loads beyond completion of the WRAP exclusion process. Bonneville will continue to communicate potential impacts as the process and requirements for excluding loads from the WRAP are developed and approved.

### Commenters’ Feedback (*impacts to customers with AHWM loads and NLSLs*)

The NLSL Group and NRU seek additional information and understanding related to the impacts to customers with AHWM loads and NLSLs that are included in Bonneville’s forward showing submittals.<sup>131</sup> AVEC commented there may be instances where exceptions to service to AHWM load could be warranted; for example, if a utility could assign all of its AHWM load served by non-federal resources to an individual consumer, rendering the load similar to NLSLs for exclusion purposes.<sup>132</sup>

### Response

Without including all the specific questions posed regarding both the exclusion and related potential impacts during the Operations Program, Bonneville reiterates its response above; the development for the exclusion is neither within Bonneville’s control nor is it subject to Bonneville decision making. That resides with WPP subject to processes governed by the WRAP Tariff. Bonneville will continue to communicate any possible impacts as the process and requirements for excluding loads from the WRAP are developed and approved. Through its participation in the development of the WRAP, Bonneville has participated on the task force to address the matter of large load that is not served by an LRE (i.e., Bonneville) or LSE in the case

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<sup>129</sup> *Id.*

<sup>130</sup> *Id.* at 3.

<sup>131</sup> NLSL Group Comments at 2; NRU Comments at 1.

<sup>132</sup> AVEC Comments at 4.

of direct access. This is not solely a Bonneville issue. In Oregon, for example, state law allows for large load (industrial/commercial) to be served by Oregon Public Utility Commission certified electricity service suppliers and not the local serving utility (i.e., LSE).<sup>133</sup> At this point in time, the task force and WPP have accepted that the basis on which to distinguish such load for exclusion is the service to the large load as a single point metered load. NLSL meets these criteria. It is separately metered for the purpose of keeping it separate and distinct from the general requirements load of the customer.

As for AHWL load, it is not on its face single point metered load. Bonneville understands there are some Bonneville customers that have AHWL load that is the result of a single large load that has not been statutorily determined as NLSL and is thus not separately metered. Under their Regional Dialogue contracts some customers have elected to use non-federal power to serve such load. In some cases, the AHWL load is supplied by Bonneville with Requirements Firm Power sold at the applicable Tier 2 PF rate. In other cases, AHWL load is supplied by a combination of non-federal power and Requirements Firm Power. Bonneville believes it is reasonable to explore and discuss through a WRAP task force a similar approach to address AHWL load that is 1) caused by a single large consumer load, and 2) is solely served with non-federal power/resources (there cannot be any Requirements Firm Power used to supply the AHWL load or a combination of non-federal and Requirements Firm Power). Any exclusion provided by WPP for this situation would apply for purposes of Bonneville's current Regional Dialogue power sales contract. There should be no assumptions or expectations that, if an exclusion is given that meets Bonneville's current power sales contract, it will equally apply to Bonneville's post-2028 power sales contract. That will be addressed separately in Bonneville's Provider of Choice public forum.

## Conclusion

Bonneville will share any possible impacts as the process and requirements for excluding loads from the WRAP are developed and approved as part of the ongoing stakeholder engagement described in Part IV of this letter. Bonneville is willing to explore with a WRAP task force a similar approach for load exclusion of AHWL loads that is caused by a single large consumer load and served solely with non-federal resources. Any exclusion would be limited to Bonneville's current Regional Dialogue power sales contracts, and exclusions for post-2028 power sales contracts would be addressed in the Provider of Choice public forum.

## Commenters' Feedback (*principles for WRAP load exclusion; clarification on Bonneville's response to questions submitted in Bonneville's WRAP engagement process*)

AWEC and WPAG both ask Bonneville to reconsider allowing AHWL loads to be excluded from Bonneville's forward showing submittals. WPAG seeks to understand why NLSL loads may qualify to be excluded from WRAP, but AHWL loads could not be excluded. AWEC asks whether there would be situations that allow AHWL loads to be eligible for exclusion similar to NLSLs, such as when "a utility could assign all of its AHWL load served by non-federal resources to an individual consumer, rendering the load similar to NLSLs for exclusion purposes."<sup>134</sup> AWEC inquires if there are situations, such as AHWL loads, in which Bonneville has determined such loads may not be excluded as a result of Regional Dialogue contract

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<sup>133</sup> None of Bonneville's public customers in Oregon have direct access load.

<sup>134</sup> AWEC Comments at 4.

obligations, but those loads meet the principles for WRAP load exclusion (“single discrete load and load not served primarily by the Load Responsible Entity”).<sup>135</sup> AWEC’s question is a clarification of a previous question, Customer Question #100, submitted as part of Bonneville’s WRAP engagement process as described in Part IV of this letter. AWEC requests Bonneville allow additional discussion around circumstances that do not meet the current parameters for load exclusion as Bonneville has described.

### Response

Bonneville understands AWEC’s question, as addressed above, to be at issue when a customer is serving a large load that is not an NLSL but has pushed the customer’s load above its high water mark. In turn, the customer has elected under its Regional Dialogue contract to supply its AHWM load with non-federal power/resource(s). As noted above, the decision about whether or not an exclusion is provided is made by WPP, not Bonneville. However, Bonneville intends to continue participating in the WRAP task force work to develop and or address this situation.

### Conclusion

Bonneville agrees to participate in a WRAP task force applicable to these issues and will engage customers under its ongoing stakeholder process as described in Part IV of this letter on these questions around WRAP load exclusion eligibility.

### Commenters’ Feedback (*proposed Resource Adequacy Incentive rates*)

AWEC and PPC ask Bonneville to engage customers and stakeholders on questions related to rates included in the BP-24 rate settlement and possible rate treatment for AHWM load and NLSLs in the future. AWEC specifically inquires about options for valuing resource adequacy and additional discussion on the use of credits and charges.<sup>136</sup> PPC seeks to understand how the rates accurately reflect Bonneville’s opportunity cost if customers do not identify specified resources for AHWM load and NLSLs and what level of demonstrated capacity would be sufficient to avoid incurring a charge from Bonneville.<sup>137</sup>

### Response

The comments raise matters that are prohibited under the ex parte communication rule governing Bonneville’s ongoing BP-24 rate proceeding. Based on the rules for the proceeding, Bonneville cannot communicate on the merits of issues pending in the BP-24 proceeding. While it is not necessary for Bonneville to address these issues to make the final decision to join the program, Bonneville will address these questions about possible rate treatment for AHWM loads and NLSLs in future pre-proceeding workshops before a future rate proceeding or as part of Bonneville’s planned stakeholder engagement as described above in Part IV of this letter.

### Conclusion

Bonneville will address AWEC and PPC’s questions in a future workshop.

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<sup>135</sup> *Id.*

<sup>136</sup> *Id.* at 5.

<sup>137</sup> PPC Comments at 6.

## Part IX: Environmental considerations

In the Draft Closeout Letter, Bonneville indicated that it was in the process of assessing potential environmental impacts that could result from joining the WRAP binding program. Bonneville's initial assessment was that its proposed participation is likely the type of action typically excluded from further review under applicable U.S. Department of Energy regulations<sup>138</sup> implementing the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321, *et seq.* Bonneville has completed its NEPA process, which confirms its initial assessment, and is accordingly issuing its NEPA documentation for its proposed decision. As part of this process, Bonneville reviewed all comments received during the public comment period that could have implications for NEPA compliance or that otherwise concerned potential environmental effects.

As explained below, Bonneville has determined that participation in the WRAP falls within certain classes of actions excluded from further NEPA review pursuant to applicable U.S. Department of Energy regulations implementing the statute. Specifically, this decision falls within the following categorical exclusions identified in the aforementioned regulations:<sup>139</sup> A9 Information gathering, analysis and dissemination; B4.4 Power marketing services and activities; and B4.8 Electricity transmission agreements. Bonneville provided notice of its likely NEPA compliance approach and has provided for public input on potential environmental effects to consider in the NEPA process before completing that process and making a decision on its proposed participation in the WRAP. Bonneville has prepared a categorical exclusion determination memorandum that documents this categorical exclusion from further NEPA review, which is available at the Bonneville website: <https://www.bpa.gov/learn-and-participate/public-involvement-decisions/categorical-exclusions>.

### Discussion

In the future, Bonneville expects challenges in meeting its load obligation with reliance on the spot market for balancing purchases due to the replacement of coal and other baseload plants with intermittent power resources in the Western region. As a load responsible entity, Bonneville expects to use the WRAP to help address capacity challenges related to meeting its net load obligation to its customers. As stated in the earlier sections of this letter, the WRAP is expected to improve reliability by assuring adequacy of capacity within the WRAP footprint through coordination, established metrics, and transparency among participants. Additionally, the program is expected to enable greater efficiencies attributable to the diversity of resources and loads across a larger footprint with a potential for cost and resource savings for utilities and ratepayers.

Bonneville currently performs resource adequacy planning for its own customers and balancing area footprint. The WRAP is expected to create a similar resource adequacy planning methodology for the entire WRAP footprint by providing a clear, uniform standard with accountability and commitment from each participant to meet capacity needs, reducing the burden on Bonneville for capacity. Additionally, under the WRAP, Bonneville and other participants would be able to continue to plan on an individual basis and make decisions on how to serve load while using the regional metrics, modeling and analysis provided by the WRAP.

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<sup>138</sup> 10 C.F.R. § 1021, *et seq.*

<sup>139</sup> 10 C.F.R. § 1021, Subpart D.

WRAP participation offers a mechanism for helping Bonneville to meet its resource adequacy needs and would have no impact to Bonneville's authority over matters relating to the reliability and operation of the Federal Columbia River Power and Transmission systems. Bonneville may withdraw from the WRAP with two years' notice with no exit fee or earlier based on certain extenuating circumstances or subject to financial mitigation for early exit. Additionally, Bonneville expects its non-conforming participation agreement to contain provisions requiring its participation to be consistent with its statutory authorities and obligations, including the ability to exit early under limited circumstances.

Bonneville's participation in the WRAP would constitute a modification to its current resource management activities, but this modification would use the existing transmission systems and the existing generation sources, which would continue to operate within normal limits. Changes to allow this participation would primarily include administrative, marketing, and financial measures such as collecting and reporting additional resource adequacy metrics and, possibly, entering into transmission or power contracts to meet the requirements of the WRAP. The federal projects would continue to operate consistently within applicable environmental laws and regulations, including compliance with the National Marine Fisheries Services and U.S. Fish and Wildlife Service 2020 Biological Opinions on the operations and maintenance of the Columbia River System, the Columbia River System Operations Environmental Impact Statement Record of Decision, and any related court orders or other agreements. Bonneville's participation would not require construction of new generation projects or physical changes made to the transmission system beyond areas previously disturbed or developed.

## Part X: Unknowns and tools to mitigate risks

As explained throughout this letter, because the WRAP is a new program, aspects of the program remain untested. Participants have to deal with a number of unknowns as they consider transitioning to participate in this regional program. First, the WRAP Tariff has yet to be accepted by the Commission and implemented by the region. Second, while the overall framework and program rules are defined by the WRAP Tariff, there may be unknown implementation details for the Forward Showing Program and Operations Program given the new program has not had the opportunity to develop the WRAP business practice manuals. Third, participants are in the process of analyzing data from Phase 3A, which will inform their understanding of Phase 3B implementation. Finally, as participants contemplate whether to join and when to elect to go binding, they do so without full knowledge of what other participants will decide. In contemplating making a binding commitment under the WRAP Tariff, it is helpful to highlight how that the transition period and standard exit provisions allow participants to manage their risk exposure.

## Transition period and involvement in WRAP implementation

Bonneville has remained involved in the WRAP initiative since its inception and has advocated for program design elements that would allow it to participate if it were to decide to join the WRAP. Bonneville is supportive of the program's final design and believes there is continued value to supporting the implementation of the binding program. Participation in the work to fully implement the Forward Showing and Operations Programs will allow Bonneville to be more effective at addressing issues and concerns shared by Bonneville and its customers, as well as concerns about potential capacity shortfalls and the direction of any future resource adequacy



requirements that may affect the West. Bonneville's continued contribution to the implementation of the program would better ensure that WRAP's binding program will be implemented such that Bonneville may participate consistent with its statutory authorities and obligations to facilitate Bonneville's support of customers by meeting its load service obligations.

As discussed in Part VI above, the WRAP Tariff provides for a transition period during the initial three years of the program. The transition plan permits participants to participate in the program but push out their binding commitment. During the transition period, non-binding participants may engage in the program governance and influence the refining of the program during implementation, including the development of the business practices. The discussion in Part VI of this letter provides a discussion of Bonneville's considerations in making a later binding season election.

### WRAP's standard exit provisions

Another tool to mitigate risk exposure is the program's two-year notice for withdrawal. The WRAP's pro forma participation agreement establishes a two-year notice period for withdrawing from the WRAP. Notice must be given 24 months prior to the start of the next Forward Showing Program period. During the two-year period in which a participant is in withdrawal status, a withdrawing participant remains obligated to comply with all requirements and obligations of the WRAP and to pay all financial obligations (e.g., administrative costs and any assessment of punitive program charges) incurred prior to the effective date of the withdrawal. Participants' ability to exit the program on two-years' notice limits their financial exposure under the WRAP, including the potential for substantial deficiency charges and delivery failure charges.<sup>140</sup>

### Part XI: Decision on Bonneville's participation in binding Phase 3B for the WRAP

Bonneville has decided to participate in WRAP's Phase 3B binding program. Bonneville's decision is dependent on the occurrence of the following two conditions: (i) the WRAP Tariff that WPP filed with the Commission is accepted by the Commission without modification that materially changes the WRAP Tariff in a way that is unacceptable to Bonneville; and (ii) a non-conforming participation agreement that is acceptable to Bonneville is filed and accepted by the Commission. If these conditions do not occur, Bonneville would need to revisit this final decision.

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<sup>140</sup> This issue is separate from the discussion in Part VII addressing the need for a unique exit provision in Bonneville's non-conforming participation agreement.