



Contract High Water Mark Calculation Process and Timeline

(updated June 17, 2024 slides)

Agenda—June 17, 2024

Section	Presenter
<ul style="list-style-type: none"> Objectives Where we're heading 	<ul style="list-style-type: none"> Kevin Farleigh, Power Account Executive
<ul style="list-style-type: none"> CHWM calculation Subsequent adjustment review Timeline preview 	<ul style="list-style-type: none"> Liz Oberhausen, Public Utilities Specialist and Contract Drafter
<ul style="list-style-type: none"> Resource related timeline 	<ul style="list-style-type: none"> Kevin Farleigh Mary Bodine-Watts, Attorney-Advisor
<ul style="list-style-type: none"> Loads 	<ul style="list-style-type: none"> Adela Arguello, Industry Economist
<ul style="list-style-type: none"> Conservation adjustment 	<ul style="list-style-type: none"> Dave Moody, Deputy Vice President, Energy Efficiency
<ul style="list-style-type: none"> Subsequent adjustment 	<ul style="list-style-type: none"> Liz Oberhausen
<ul style="list-style-type: none"> CHWM Calculation overall timeline and next steps 	<ul style="list-style-type: none"> Kevin Farleigh

Objectives

July 23, 2024

- Review certain dates in slides that have been updated/clarified

From June 17, 2024

- Present Bonneville's initial thinking on the overall CHWM Calculation process and timeline
- Take feedback to identify any customer concerns
- Seek to identify milestones and deadlines that meet both Bonneville and customer needs



Where we're heading

This summer, BPA will prepare and share a document with **key milestones and deadlines** for each step of the CHWM Calculation process.

This will either be a stand-alone document or will be incorporated into a broader Provider of Choice milestones and deadlines document.



Policy Review - CHWM Calculation

$$\begin{aligned}
 CHWM = & \text{Base Allowance} - \text{Headroom Adjustment} \\
 & + \text{Conservation Adjustment} \\
 & + \text{New Specified Resource Adjustment} \\
 & + \text{Load Growth Adjustment} \\
 & + \text{Proportional Share Adjustment}
 \end{aligned}$$

Base Allowance	= FY2024 Rate Period High Water Mark
Headroom Adjustment	<p>= max(0, Base Allowance – PF eligible load)</p> <p><i>Where:</i></p> <p>PF eligible load = FY2023 weather normalized Total Retail Load* – New Large Single Loads – FY2023 Dedicated Resources</p> <p>*Customers may request a one-time adjustment to TRL through an “economic adjustment” for qualifying loads</p>

CHWM Calculation Cont'd

CHWM = *Base Allowance – Headroom Adjustment*
 + *Conservation Adjustment*
 + *New Specified Resource Adjustment*
 + *Load Growth Adjustment*
 + *Proportional Share Adjustment*

Conservation Adjustment	= 50% of self-funded conservation from FY 2012 through FY 2023
New Specified Resource Adjustment	= 50% of New Specified Resources dedicated to load in FY2023
Load Growth Adjustment	= 25% of the max(0, PF eligible load – Base Allowance)
Proportional Share Adjustment	= Customer’s share, based on its initial CHWM relative to the initial aggregate CHWMs of all customers, of the difference between 7,250 aMW and the sum of initial CHWMs. If initial aggregate CHWMs are greater than 7,250 aMW, no adjustment will apply nor will CHWMS be reduced.

Subsequent CHWM Adjustments

- Certain conditions merit an increase to a customer's CHWM after Provider of Choice CHWMs are calculated in FY2026.
- These are the only adjustments that will be available during Provider of Choice.
- These adjustments will be calculated and added to a customer's CHWM during a biannual process, prior to each rate case, that will also establish above-CHWM load amounts for customers.
- Concurrent with the calculation of customer CHWMs in FY2026 Bonneville will hold a public process to establish implementation details for all subsequent CHWM adjustments.

Subsequent CHWM Adjustment Categories

- **Small Utility:** Allow customers with PF-eligible load under 5 aMW to increase their CHWM up to the lesser of double their Provider of Choice CHWM or 5 aMW.
- **New Public Utility:** Allow new public utilities to purchase power sold at a PF Tier 1 rate. Bonneville will calculate new public utilities' CHWMs based on their PF-eligible load.
- **Tribal Utility:** Allow a tribal utility to increase its CHWM for load within the tribal utility's service territory.

Adjustment Categories Cont'd

- **DOE Vitrification Load:** Increase DOE Richland's CHWM to serve the total DOE Richland's vitrification plant load up to the difference between DOE Richland's Provider of Choice CHWM and their base allowance.
- **CF/CT:** Bonneville will increase a customer's CHWM if it has a CF/CT load whose electric power demand significantly dropped due to certain qualifying factors as provided in section 2.4.2.5 of the Policy.
- **Port Townsend Paper:** If Port Townsend Paper is not offered a DSI contract and the load is PF eligible, would allow Jefferson PUD to increase its CHWM pending a public process to determine qualifications and amount of CHWM to be granted.



Full Timeline Preview

Resource processes

Resource removal
 October 1, 2024 ▶ Customers submit resource removal requests to BPA
 Oct 2024 - May 2025 Resource removal for CHWMs

Resource value determination
 Aug 2024 - May 2025 Resource value determination/ Attachment C Process
 Feb 2025 - Mar 2025 Public Process/ Comment Period
 BPA publishes final resource values ▶ May 2025

Loads- Weather normalization and economic adjustment

PSS pull NLSL loads; AEs review with customers
 October 1, 2024 ▶ Customer deadline to submit loads for economic adjustment

Returning public's value determinations- NLSLs, loads, resources, etc.
 Oct 2024 - Feb 2025 Gather and validate data for weather normalization
 Feb 2025 - May 2025 Estimation of weather adjustments to loads
 Jun 2025 - Jul 2025 Potential recalculation of weather normalization, based on customer comments
 BPA review historical and returned loads to determine values for economic adjustment

Conservation Adjustment

September 30, 2025 ▶ Customer deadline for reporting FY23 savings
 Oct 2025 - Dec 2025 Determine Energy Efficiency FY23 data

CHWM contract drafting and Subsequent Adjustments

Jun 2024 - Dec 2024 Draft section 7 and Exhibit B contract language
 October 1, 2024 ▶ Customer deadline to submit loads for consideration for CFCT adjustment

Oct 2025 - Feb 2026 Draft Subsequent adjustment Policy
 Draft Subsequent Adjustment Policy released in alignment with draft CHWM values ▶ February 2026
 Publish final Subsequent Adjustment Policy and close-out letter ▶ May 2026

CHWM calculation Process

Dec 2025 - Feb 2026 Calculate CHWM, including Proportional Share Adjustment, QC
 Release preliminary CHWM numbers ▶ February 2026
 Feb 2026 - Apr 2026 Work with customers to address comments
 Publish final CHWMs and close-out letter ▶ May 2026
 Contracts Signed (Dec. 2025) ▶

Legend

- █ BPA workload, in collaboration with customers
- █ BPA task
- █ Public Process/ Comment Period
- ▶ BPA milestone or deadline
- ▶ Customer milestone or deadline



Customer Resource Related Timeline

Eligibility for Resource Removal: Permanent Resource Removal

- PoC Final Policy and ROD provided that if BPA grants removal for sources not serving load beyond RD, BPA will not include these resources as deductions from PF-eligible load when calculating CHWMs.
- Customer resources are only eligible to be removed from the CHWM Calculation if the customer requests and receives permanent resource removal which will take effect by the start of the PoC Contract, under one of the conditions on the following slides.

Permanent Resource Removal Cont'd

Key dates:

- Customers must submit resource removal requests by October 1st, 2024.
- The resource must be eligible for removal by September 30th, 2028.

Unspecified Resources will not require a customer request for removal, per the RD contract:

- “Upon termination or expiration of this Agreement any Unspecified Resource Amounts listed in Exhibit A shall expire, and «Customer Name» shall have no further obligation to apply Unspecified Resource Amounts.”

Eligibility for Resource Removal: Customer Resources

- 5(b)(1) provides that Bonneville serves a customer's firm power load net of its resources.
- Section 5(b)(1) calls out two categories on non-federal resources that a customer is required to take to load.

“Firm power load . . . To the extent that such firm power load exceeds—

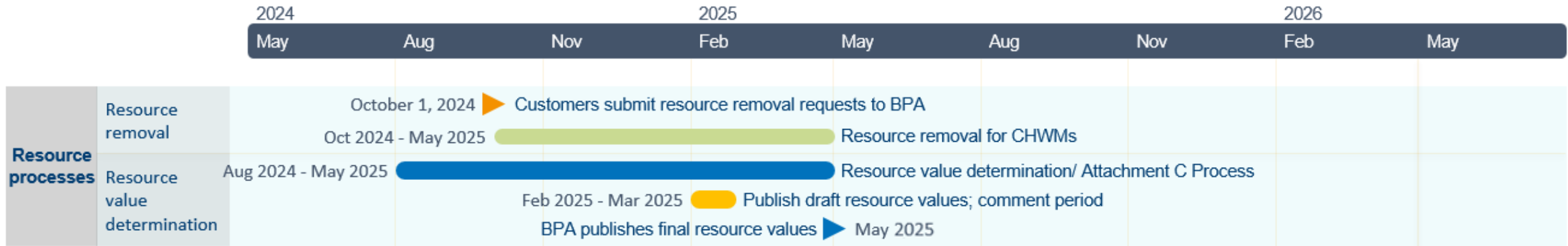
(5)(b)(1)(A): “the capability of such entity’s peaking and energy resources used in the year prior to December 5, 1980, to serve its firm load in the region, and

(5)(b)(1)(B): “such other resources as such entity determines, pursuant to contracts under this chapter, will be used to serve its firm load in the region.”

example: A customer resource contracted for the period by the customer for the period of the contract.

Eligibility for Resource Removal: Permanent Resource Removal

- 5(b)(1)(a) and (b) resources must continue to be used to serve firm load unless they are permanently removed through one of the following:
 - (1) Administrator's consent,
 - (2) Discontinued because of obsolescence, retirement, loss of resource,
 - (3) Loss of contract right.
- For more detailed descriptions of each of the above conditions, see the Resource removal slides in the Appendix.



- BPA workload, in collaboration with customers
- BPA task
- Public Process/ Comment Period
- BPA milestone or deadline
- Customer milestone or deadline

Resource Removals:

- Bonneville will batch resource removal requests wherever possible
- Customers work with their Account Executives to move through the resource removal process
- Approval time will vary based on the complexity of the circumstances surrounding the request.

Resource Value Determination Process:

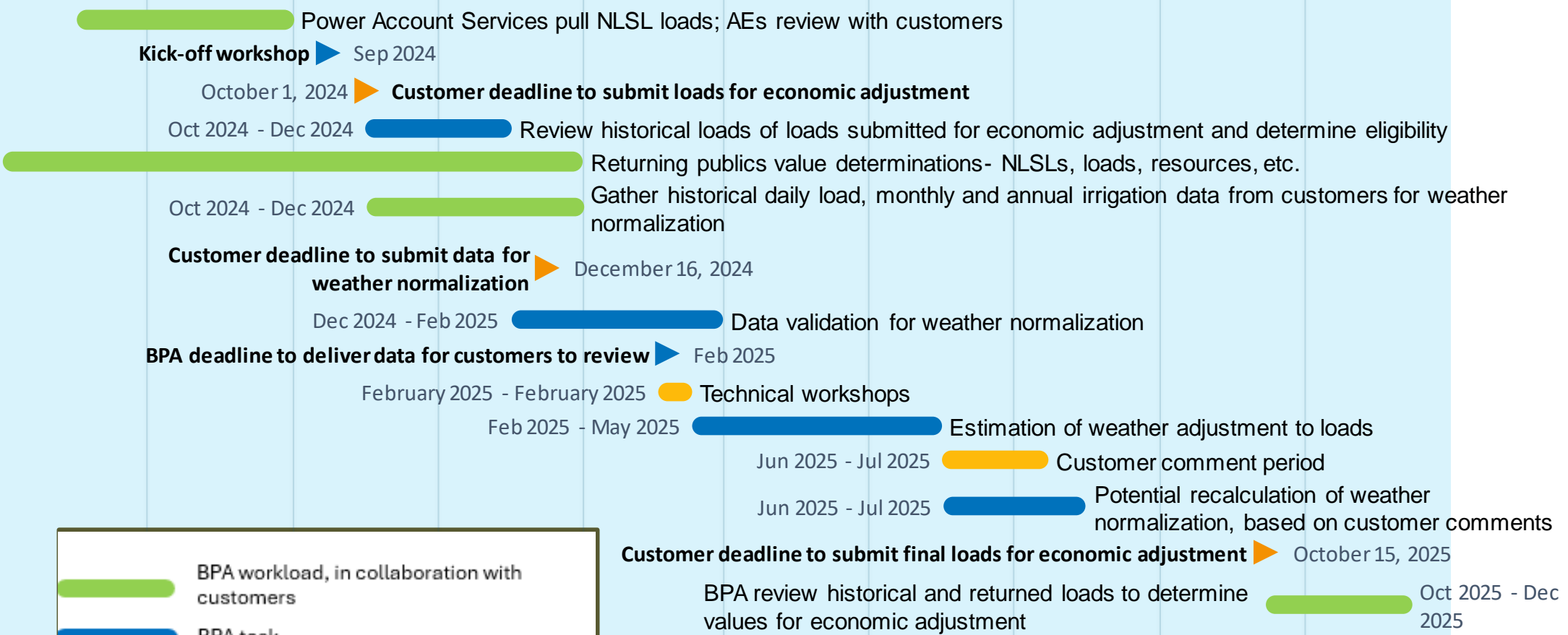
- While the processes will be taking place on similar timelines, remember that resource values will be determined based on FY2023 values, and are unrelated to the Declaration Parameters which will be developed for determining Exhibit A resource values during Provider of Choice.



Loads and Weather Normalization Timeline



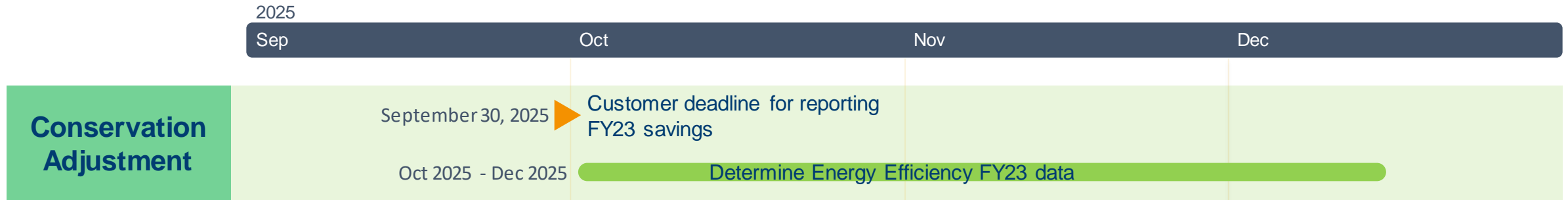
**Load Timelines-
Weather
Normalization
and Economic
Adjustment**








BPA workload, in collaboration with customers
 BPA task
 Public Process/ Comment Period
 BPA milestone or deadline
 Customer milestone or deadline



Conservation Adjustment Timeline



-  BPA workload, in collaboration with customers
-  BPA task
-  Public Process/ Comment Period
-  BPA milestone or deadline
-  Customer milestone or deadline

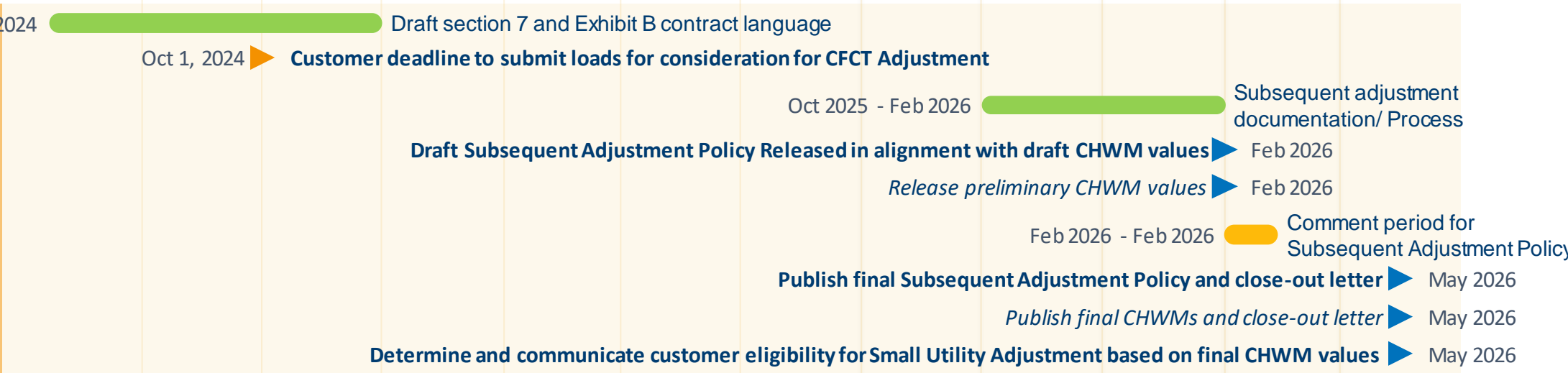
Conservation Adjustment:

- BPA will update savings figures with any self-funded conservation completed in FY 22 and FY 23 but reported in FY 24 or FY 25.
- Customer funded NEEA savings for 2023, which have been reported as of May of 2024, will be incorporated.



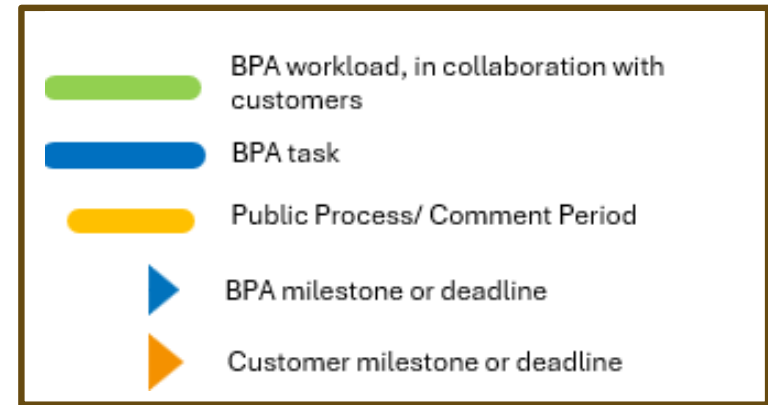
CHWM Contract Language and Subsequent Adjustment Processes

CHWM contract language and Subsequent Adjustments



Contract Language and Subsequent Adjustment Processes:

- Because CHWM policy will no longer be located in the TRM/ PRDM, much of the CHWM policy was laid out in the Final Policy.
- Some components of subsequent adjustment implementation will appear in the contract in section 7 or Exhibit B.
- BPA will document implementation details for the Small Utility adjustment, New Utility adjustment, CFCT Adjustment, Tribal Utility adjustment, DOE Vitrification adjustment and Port Townsend Paper as necessary in a standalone Subsequent Adjustment Policy and as needed in subsequent public processes.

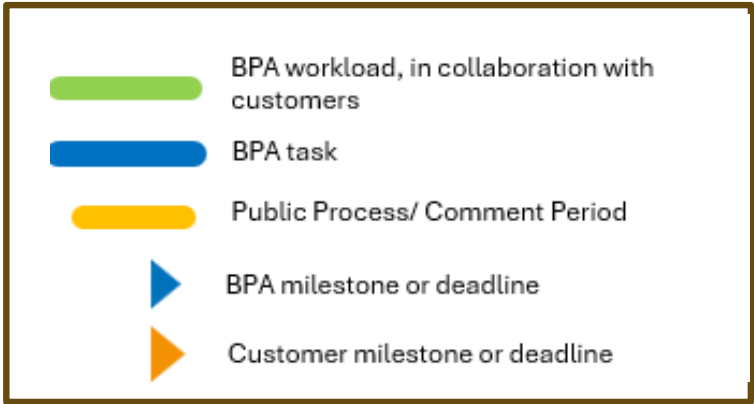
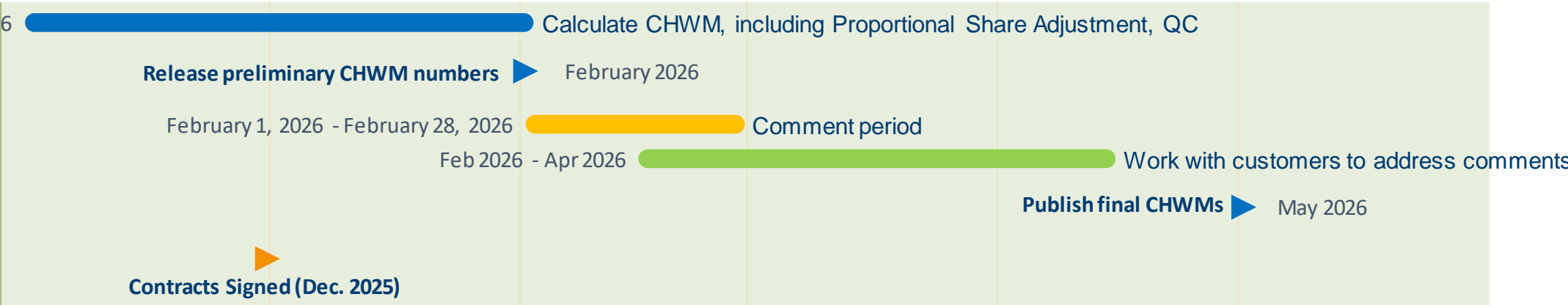




Contract High Water Mark Calculation Process



CHWM calculation Process



CHWM Calculation Process

- BPA will begin the CHWM calculations as soon as the Economic Adjustment and Energy Efficiency values have been collected and validated, as both values can only be collected after FY2025 is complete.
- Note that the final policy determined that Above CHWM Load elections must be made by 60 days following the publication of CHWMs, so a May 2026 CHWM publishing date would result in a July 2026 A-CHWM election.
- NLSL elections are similarly tied to CHWM publication.



Overall Timeline Review

Resource processes

Resource removal
 October 1, 2024 ▶ Customers submit resource removal requests to BPA
 Oct 2024 - May 2025 Resource removal for CHWMs

Resource value determination
 Aug 2024 - May 2025 Resource value determination/ Attachment C Process
 Feb 2025 - Mar 2025 Public Process/ Comment Period
 BPA publishes final resource values ▶ May 2025

Loads- Weather normalization and economic adjustment

PSS pull NLSL loads; AEs review with customers
 October 1, 2024 ▶ Customer deadline to submit loads for economic adjustment

Returning publics value determinations- NLSLs, loads, resources, etc.
 Oct 2024 - Feb 2025 Gather and validate data for weather normalization
 Feb 2025 - May 2025 Estimation of weather adjustments to loads
 Jun 2025 - Jul 2025 Potential recalculation of weather normalization, based on customer comments
 BPA review historical and returned loads to determine values for economic adjustment

Conservation Adjustment






September 30, 2025 ▶ Customer deadline for reporting FY23 savings
 Oct 2025 - Dec 2025 Determine Energy Efficiency FY23 data

CHWM contract drafting and Subsequent Adjustments

Jun 2024 - Dec 2024 Draft section 7 and Exhibit B contract language
 October 1, 2024 ▶ Customer deadline to submit loads for consideration for CFCT adjustment

Oct 2025 - Feb 2026 Draft Subsequent adjustment Policy
 Draft Subsequent Adjustment Policy released in alignment with draft CHWM values ▶ February 2026
 Publish final Subsequent Adjustment Policy and close-out letter ▶ May 2026

Legend

-  BPA workload, in collaboration with customers
-  BPA task
-  Public Process/ Comment Period
-  BPA milestone or deadline
-  Customer milestone or deadline

CHWM calculation Process

Dec 2025 - Feb 2026 Calculate CHWM, including Proportional Share Adjustment, QC
 Release preliminary CHWM numbers ▶ February 2026
 Feb 2026 - Apr 2026 Work with customers to address comments
 Publish final CHWMs and close-out letter ▶ May 2026
 Contracts Signed (Dec. 2025) ▶

Summary of proposed deadlines and comment periods

Workstream	Date(s)
Customer Deadlines	
Submit resource removal requests for CHWMs	10/1/24
Customer deadline to submit loads for economic adjustment	10/1/24
Customer deadline to submit loads for consideration for CFCT adjustment	10/1/24
Customer deadline to submit data for weather normalization	12/15/2024
Customer deadline for reporting FY23 Energy Efficiency savings	9/30/25
Customer deadline to submit final loads for economic adjustment	10/15/25
Contracts signed	December 2025
Comment Periods	
Comment period on draft customer resource values	2/1/2025 - 3/1/2025
Comment period on estimation of weather adjustment to loads	6/1/2025 - 7/15/2025
Subsequent Adjustment Policy	2/1/2026 - 2/28/2026
Draft CHWM values	2/1/2026 - 2/28/2026



Next Steps

Next Steps

- Submit feedback on any aspect of the draft CHWM timeline by July 1st to post2028@bpa.gov.
- We will review feedback and any adjustments at our next CHWM workshop on July 16th.
- Document of customer deadlines and elections will be published later this summer.



Appendix

Revised 5(b)/9(c) Policy: Obsolescence

(a) Obsolescence is a permanent discontinuance of a generating resource resulting from the inability to continue to operate such resource at the end of its useful life due to lack of available replacement parts, deterioration of the physical facility, or lack of sources of fuel supply.

Revised 5(b)/9(c) Policy: Retirement

(b) Retirement is a permanent discontinuance of a generating resource for which the customer can demonstrate that the costs of replacements, improvements, or additions necessary to continue to operate the resource, combined with the resource's variable operating costs, exceed the reasonable economic return over the remaining life of the resource. The customer will demonstrate the reasonable economic return of the resource by comparing (1) the costs to the customer of replacing the resource with market purchases plus the cost to permanently shut down the resource to (2) the cost of continuing to operate the resource.

Revised 5(b)/9(c) Policy: Loss of Resource

(c) Loss of a resource is a permanent discontinuance caused by factors beyond the reasonable control of the customer and that the best efforts of the customer are unable to remedy. Such factors include, but are not limited to, complete destruction of the resource, complete loss of the Federal or State license to own or operate the resource, or complete and/or partial reduction of the capability of a resource to the extent of the loss resulting from requested operations or orders of a cognizant State or Federal agency directly or indirectly affecting the operation of the resource and changing its planned capability.

Revised 5(b)/9(c) Policy-Loss of Contract Right

2. A customer's contractual resource is considered no longer used to serve regional firm power load if the customer experiences a permanent loss of contract rights. Loss of contract rights must result from expiration of the term of the contract, after any extensions of the contract unilaterally available to the customer, or from factors beyond the reasonable control of the customer and that the best efforts of the customer are unable to remedy. The Administrator may grant consent to a customer's permanent discontinuance of a contract resource upon expiration of such contract, notwithstanding a customer's right to renew or extend such contract if the customer demonstrates that substantial and material changes in the terms of a successor contract, such as price, will deny the basic benefit of the bargain to the customer, which effectively results in the loss of existing contract rights.