

Briefing Materials

February 8, 2023

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Provider of Choice Contracts

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- **BPA's current 20-year power contracts with its preference customers will expire September 30, 2028**
- **Provider of Choice is BPA's initiative for developing the policies, rates, and contracts that BPA will offer preference customers for the post-2028 period**
- **In March of 2022, Public Power submitted a Post-2028 Concept Paper to BPA that included the following principles as a starting point for negotiations:**
 - Ensure the lowest Tier 1 Rates while preserving and enhancing the value of the Federal Columbia River Power System (FCRPS)
 - Adhere to preference and BPA's obligation to serve 5(b) peak and energy Net Requirements
 - Adaptable to emerging markets, regulatory changes, and evolving end-user needs
 - Enable customers to meet regulatory compliance obligations (including carbon compliance objectives) and minimize compliance uncertainty
 - Broadly acceptable to public power utilities
 - Facilitate development and integration of non-federal resources by preference customers

BPA's Proposed General Terms

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- **20-Year Term**
- **Executed and effective in 2025**
- **Power deliveries beginning in 2028**
- **Expiring September 2045**
- **Same contract term, effective and expiration dates for all customers**
- **Open to exploring 19-year contract through 2044 to accommodate CETA's carbon-free requirements in 2045**
- **Standardized contracts through contract templates for each product offering**
 - Load Following
 - Slice/Block
 - Block
- **Take-or-pay for the amount of power customers are obligated to take from BPA at Tier 1 and Tier 2 Rates**

Tier 1 System Size and Allocation

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- **BPA and (most of) its customers are proposing to continue the use of tiered rates in the Provider of Choice Contracts**
- **The decision to continue the use of tiered rates has led to two key questions:**
 - What will be the size of the Tier 1 System during the Provider of Choice Contracts?
 - How will the Tier 1 System be allocated among BPA's preference customers?
- **These are two of the most difficult and controversial questions confronting BPA and its customers as part of the Provider of Choice Process**
 - More demand for Tier 1 Power than there is Tier 1 Power to go around
 - Different customers are differently situated
 - Different levels of load growth or load loss
 - Different regulatory and electrification needs
 - Different levels of conservation achieved during the current contracts

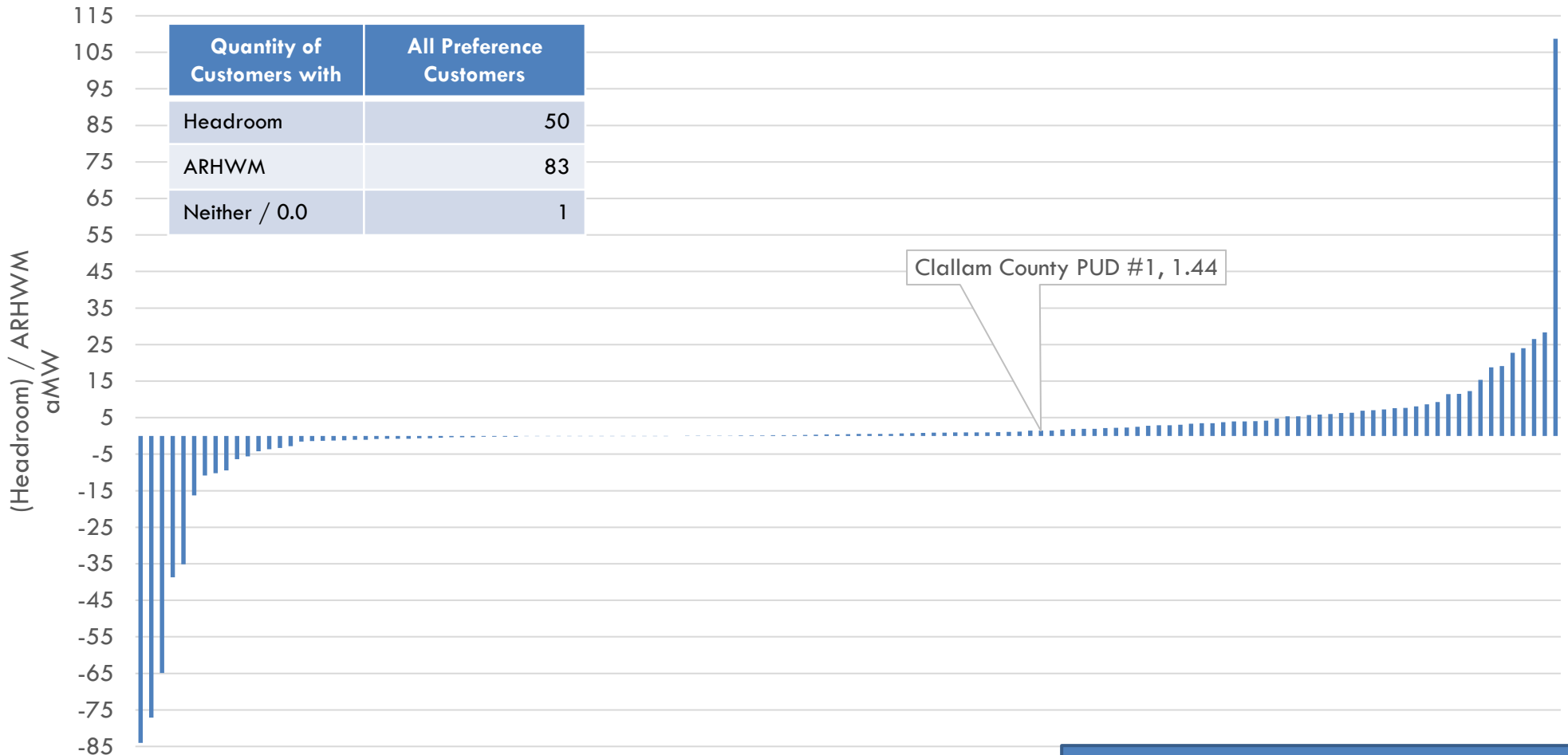
Allocation – *Proposed* Provider of Choice CHWM Calculation

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- **Contract High Water Marks (CHWM) are used to allocate the Tier 1 System among BPA’s power customers**
 - The CHWMs for the current Regional Dialogue Contracts were calculated in 2010
 - $\text{CHWM} = 2008 \text{ Normalized Load} - \text{NLSL} - 2006 \text{ Dedicated Resources}$
- **BPA recently proposed to calculate new CHWMs for the Provider of Choice contracts based on the following:**
 - Each customer’s load measured in **FY 2023**
 - Reduced by:
 - The customer’s non-federal resources dedicated to load as of **FY 2023** (with exception for resources undedicated by 2028)
 - The customer’s New Large Single Loads (NLSL)
 - Adjusted by:
 - Weather normalization
 - Upward adjustment based on 50% of self-funded conservation savings from FY 2012 through 2023
 - Upward adjustment based on 25% of load growth
 - Upward adjustment based on returning load (Grant PUD)

Current State as of BP-24

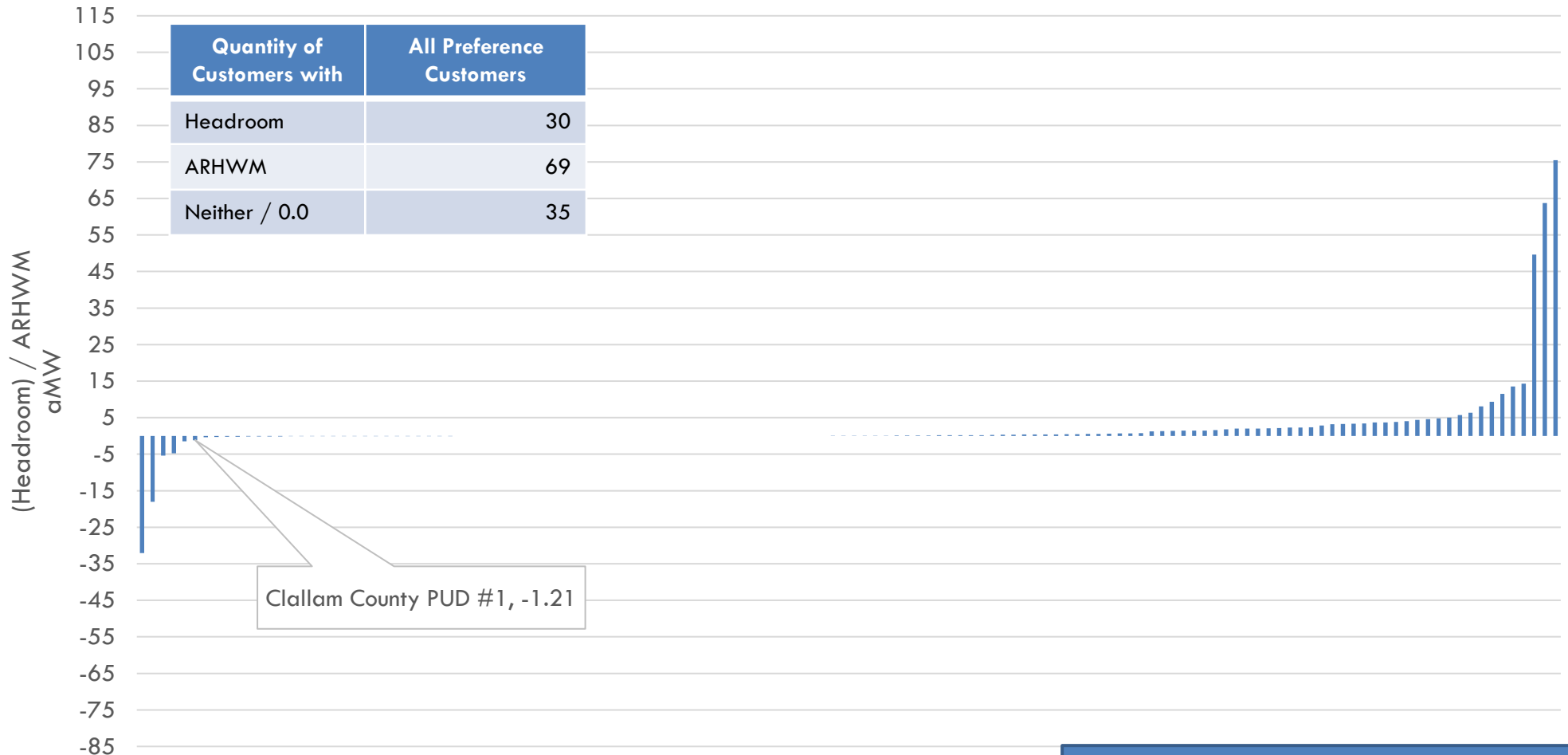
Preference Customer Headroom Results



System size = 7,063 aMW

BPA New Proposal

Preference Customer Headroom Results



System size = 7,000 aMW

System Size and Scaling Adjustment

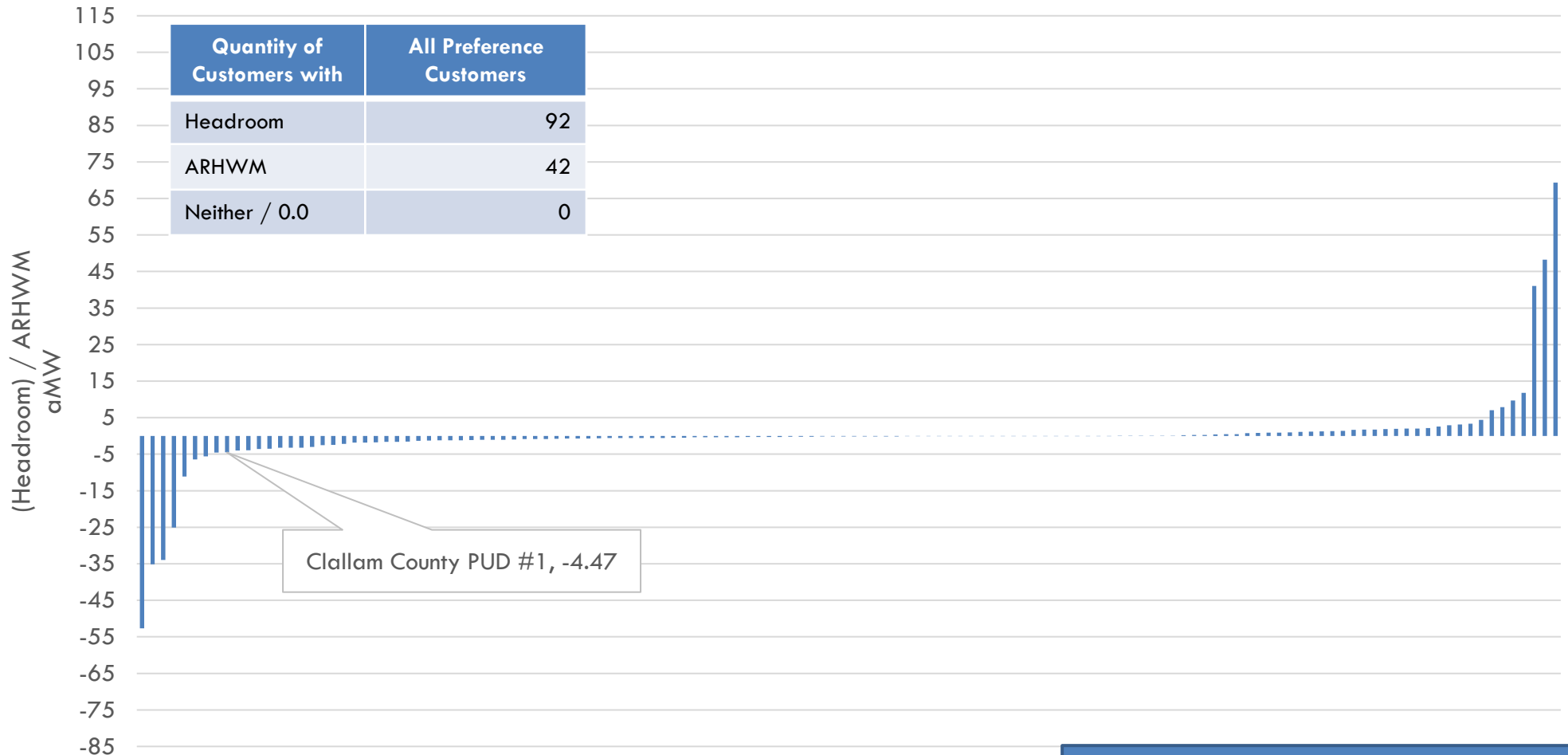
- **BPA proposes to fix the Tier 1 System size equal to the sum of the recalculated CHWMs up to a limit of the BP-24 Rate Period High Water Marks (RHWM)**
 - The current forecast of Provider of Choice CHWMs equals a sum of **6,957 aMW**
 - The sum of the BP-24 RHWMs is **6,993 aMW**
- **In the event the sum of the actual recalculated CHWMs exceeds 6,993 aMW, then BPA proposes to scale down the CHWMs until the sum equals 6,993 aMW**
 - Pro rata
 - Load growth only

Potential Tier 1 Augmentation

- **Public power is generally interested in some level of Tier 1 augmentation**
 - Target a system size between 7,000 to 7,500 aMW
 - To help offset Grant PUD's returning load and to help public power strive for consensus
 - How augmentation is shared among customers is a critical question
 - Extended Power Uprate at the Columbia Generating Station of approximately 158 aMW at a projected cost of \$30.64 MW/hr
 - Lower than the current Tier 1 Rate of \$34.93 MW/hr
 - How other augmentation would be achieved is still to be determined
 - Likely a combination of renewables and battery storage
 - Current modeling indicates that a Tier 1 System Size of 7,250 aMW is a "sweet spot" with no upward rate pressure
 - Augmentation shared pro rata so that all customers would benefit

Sandbox Proposal

Preference Customer Headroom Results



System size = 7,250 aMW

Forecasted Impacts to Clallam PUD

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	CHWM	AHWM	Cost (\$/MWh)
Status Quo	76.03	1.44	\$35.40
BPA Proposal	77.31	(1.21)	\$34.93
Sand Box Proposal	80.57	(4.47)	\$34.94

*** Based on forecasts, actual results will vary**

Service to Above-High Water Mark Load

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- **Not every BPA preference customer will be fully served by Tier 1 on day 1 of the next contract**
- **Other customers will quickly exceed their Tier 1 CHWM shortly after the start of the contract**
- **Customers will need to decide how to serve their Above-High Water Mark Load**
 - Non-Federal
 - BPA Tier 2
- **BPA initially proposed to have customers make a single election as to how they will serve their Above-High Water Mark Load at the start of the Contract**
 - Tier 2 or Non-Fed
 - Single Tier 2 Option

Service to Above-High Water Mark Load

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- **Customers have demanded more Tier 2 options with more frequent election periods (i.e., commercial terms, products meet customer needs with appropriate customer input)**
 - Vintage
 - Load Growth Pool
 - Market Based Rate (e.g. Daily Index based rate)
 - Goal of facilitating investment in long-term resources

Carbon and other Environmental Attributes

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- **The power BPA sells is roughly 95% carbon free on average**
- **The only “emitting” resources in BPA’s system mix are “unspecified” market purchases**
 - Unspecified purchases make up 3% to 12% of BPA’s fuel mix depending on the year

Tier 1 System Carbon Content

- **BPA proposes to assess and analyze options for acquiring power produced by carbon free resources that would balance BPA’s loads and resources and reduce reliance on unspecified market purchases**

Tier 2 Carbon Content

- **BPA proposes to convey the environmental attributes, including carbon content and RECs, of the resources in a tier cost pool to the customers served by the pool**
- **This is a deviation from BPA’s current “single system mix” policy, which requires that Tier 1 and Tier 2 purchases receive the same single system carbon content**
- **Could be a useful tool for customers seeking to lower their carbon content**
 - E.g., vintage Tier 2 rate based on “green” resources

Carbon and other Environmental Attributes

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100% Carbon Free Product

- **One of the requests public power made in its Post 2028 Concept Paper was that BPA provide a 100% carbon free product for customers who are willing to pay a premium for it**
- **BPA subsequently reviewed this option, but recently concluded that it had statutory, CETA, and cost concerns with the proposal**
- **More work needs to be done in this area, there is high demand among Washington utilities for a carbon free BPA product**

DISCUSSION