

Figure 88: Resource adequacy metrics with the loss of a new large load

Table 51: Comparison of BPA Block reduction vs. load reduction

Month	Shape of Reduction		Size of Reduction	
	Block Reduction	Load Reduction	Block Reduction (aMW)	Load Reduction (aMW)
JAN	10%	8%	61	49
FEB	9%	8%	57	54
MAR	10%	8%	60	49
APR	9%	8%	52	51
MAY	8%	8%	45	49
JUN	7%	8%	41	51
JUL	7%	8%	43	49
AUG	7%	8%	41	49
SEP	7%	8%	44	51
OCT	7%	8%	40	49
NOV	9%	8%	53	51
DEC	11%	8%	64	49
Total Across Year	100%	100%	50	50

## 15 CETA AND I-937 COMPLIANCE PLANS

### 15.1.1 CETA compliance

Like all of the portfolios considered, the preferred portfolio complies with CETA’s requirement that 80% of load be served by non-emitting resources by 2030 and leaves us with far more hydro RECs available than needed to offset emitting generation. We plan to address how to comply with the post-2044 requirements that 100% of load be served by non-emitting resources once rulemaking—especially rulemaking on the treatment of market purchases—is finalized.

### 15.1.2 I-937 compliance

In 2020, our renewable portfolio standard under I-937 increased to 15%. Historically, our strategy has been to procure both short-term and long-term RECs to help meet this goal. We also claim incremental hydro RECs from our hydro upgrades. While incremental hydro RECs must be used in the year they are generated, other RECs can be banked. This allows us to manage uncertainty and hedge risk. Figure 89 shows our REC compliance to date. Based on our current REC purchases, we are projected to be fully compliant through 2025. Between 2026 and 2030, Tacoma will need to purchase additional RECs. At present it is not clear whether we should purchase RECs now for those years, or perhaps wait until closer to 2026 and purchase potentially cheap, short-term RECs. For now, we will hold off on this decision until we have better information. Beginning in 2030, if a utility meets 100 percent of their load with renewable resources, non-emitting resources or I-937 RECs for CETA, they are considered in compliance with both CETA and I-937. As a result, we will likely no longer need to procure additional I-937 RECs and will instead comply by using renewable properties of our surplus hydro.

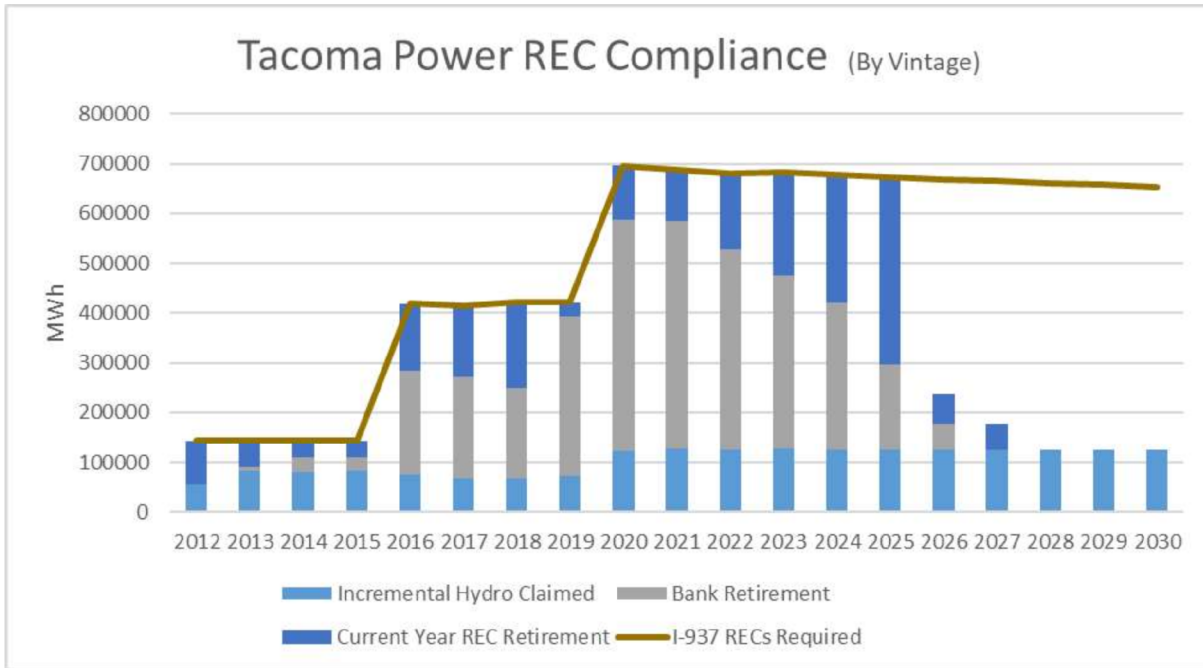


Figure 89: Tacoma Power I-937 REC compliance strategy

## 16 IRP ACTION PLAN

Table 52 describes our resource plan action items over the next two years and over the next ten years, categorized by type of action.

### 16.1 ACTION ITEMS RELATED TO RESOURCE ACQUISITION/RETIREMENT

Action items related to resource acquisition or retirement follow directly from the preferred portfolio identified in Section 13, which includes acquiring all cost-effective conservation and 10MW of demand response and does not renew the Columbia Basin Hydro (CBH) contracts.

**Action Item 1:** Since our CBH contracts begin to expire in 2022, we must notify all relevant parties of our decision to renew or not renew within the next two years. Based on our 2020 IRP analysis, we anticipate allowing those contracts to expire in 2022 rather than renewing them.

**Action Items 2 and 3:** The only resource we plan to acquire in the next two years is conservation. Our 2020-2039 CPA identifies a target of 26.7 aMW over the next 10 years.<sup>70</sup> Over the next two years, we plan to acquire approximately one-fifth of that target (5.3 aMW). We will update our CPA in 2021, and the update will affect the conservation target identified in our IRP action plan.

**Action Item 4:** Our preferred portfolio includes the acquisition of 10 MW of demand response. However, this resource does not come online until 2024. Therefore, we did not include it in our two-year action plan but did include in our 10-year action plan.

<sup>70</sup> <https://www.mytpu.org/wp-content/uploads/Tacoma-Power-2020-2039-CPA-Report-FINAL.pdf>

## 16.2 ACTION ITEMS RELATED TO RESOURCE INVESTIGATION

Over the next two years, the two resources that are highest priority for further investigation and analysis over the next two years are the BPA products and demand response.

**Action Item 5 and 7:** We know little about which products BPA will offer for our next contract period and whether it will change its resource allocations and charges across customers. Therefore, we assume in our IRP that future BPA products will remain the same as today's product offerings. Over the next two years, we expect to engage with BPA and other BPA customers to explore how product offerings might evolve in the next contract period. As these future offerings take shape, our IRP team will analyze their potential value and advocate for product options that are most beneficial to our customers.

**Action Item 6:** We will also conduct our first demand response potential assessment, akin to what we already do for conservation. While we have done some previous work to assess how much potential there might be for DR, this will be our first demand response potential assessment that takes a more comprehensive look at that potential, similar to how we examine conservation.

**Action Item 8:** While our preferred portfolio does not include the addition of pumped storage, pumped storage continues to be a promising potential resource for the region due to its flexibility, capacity for long-duration storage and the carbon-free nature of hydropower. As a result, we will continue to consider whether there is value in adding pumped storage to our portfolio in future IRPs. Considering adding pumped storage to our Cowlitz River Project further would be most practical to do in conjunction with planning for license renewal in 2037.

**Action Item 9:** We always keep an eye on new supply and demand-side technologies and will continue to do so moving forward. As new technologies become viable, they can make their way into the list of resources we consider in our IRP.

## 16.3 ACTION ITEMS RELATED TO IMPROVEMENT IN MODELING AND ANALYSIS

Modeling work for integrated resource plans is never complete, and our IRP is no exception. While the list of action items related to improving our modeling and analysis work over the next two years is far from comprehensive, these two-year action items represent key priorities for improvement. Over the longer run, we will continue to make additional improvements to our modeling, especially to our system model (Action Item 15).

**Action Item 10:** As discussed in Section 14.1.1, we took some first steps to directly incorporate the impacts of climate change into our 2020 IRP modeling. We will continue to refine how we incorporate climate change projections into our future IRP modeling tools and analysis.

**Action Item 11:** In response to discussions with stakeholders during our 2020 IRP public workshops, we added demand response as a potential resource in our system model and found promise in adding 10MW of demand response. However, the way we currently model demand response in our system model is fairly limited and does not accurately reflect the breadth of different types of demand response available. Because demand response shows promise as a potential resource addition, we will conduct more work to refine how it is specified in our system model over the next two years.

**Action Item 12:** As in past IRPs, conservation is a key resource that we plan to acquire. Our IRP model currently takes the amount of cost-effective conservation identified as a given and deducts it from loads.

A priority objective for the next IRP is to model conservation directly as a resource in our system model and allow it to compete directly with other resources.

**Action Item 13:** Our current IRP tools are somewhat limited in how they consider storage. On the WECC-wide model side, the AURORA modeling tool is capable of including storage as a resource choice in its capacity expansion model, but doing so requires a considerable increase in computation time. We will work with the vendor to identify a tenable workaround. In our system model, we will work to develop a storage resource so that can be included as a resource option in our next IRP.

**Action Item 14:** Based on feedback from our 2020 IRP stakeholder meetings and discussions with the Tacoma Public Utilities Board, we identified three additional scenarios as priority scenarios to analyze in the next two years: increased vehicle & building electrification, a total ban on natural gas generation in Washington State<sup>71</sup>, and lower Snake River dam removal.

#### 16.4 ACTION ITEMS RELATED TO EQUITY

**Action Items 16 and 18:** As discussed in Section 4.2, the City of Tacoma and Tacoma Public Utilities have made a concerted effort to include equity in all policy and service provision decisions. While our 2020 IRP did not include equity as a metric of portfolio performance, we plan to develop a portfolio performance metric or set of metrics to directly address equity in our next IRP. This effort will start over the next two years, with the aim of eventually fully incorporating equity into our resource decisions.

**Action Item 17:** Finally, Tacoma Public Utilities is committed to robust and inclusive stakeholder engagement, including in our process. In accordance with the TPU Board's Strategic Directive 4 on stakeholder engagement<sup>72</sup>, we work to continually evolve engagement efforts to equitably engage customers and stakeholders in their preferred manner. While our 2020 IRP public process succeeded in engaging a more diverse group of stakeholders than in the past, there is still room for improvement. Stakeholders who participated in the public process were generally satisfied, but suggestions for improvement included finding ways to reach out to a broader group of stakeholders. Thus, continuing to improve the inclusivity of our IRP outreach is an action item for the next two years.

---

<sup>71</sup> During one of the 2020 IRP meetings, a stakeholder expressed an interest in seeing a scenario in which methane was substantially restricted. A natural gas ban would be consistent with a methane restriction scenario.

<sup>72</sup> [https://www.mytpu.org/about-tpu/public-utility-board/strategic-directives/#pattern\\_4](https://www.mytpu.org/about-tpu/public-utility-board/strategic-directives/#pattern_4)

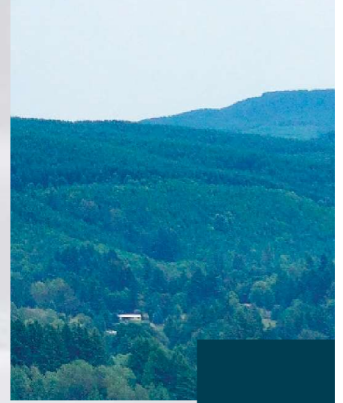
Table 52: 2020 IRP Action Items

	Next 2 years	Next 10 years
<b>Resource Acquisition/ Retirement</b>	<ol style="list-style-type: none"> <li>1. Do not renew CBH and notify parties of CBH renewal decision</li> <li>2. Acquire 2-year CPA potential</li> </ol>	<ol style="list-style-type: none"> <li>3. Acquire our 10-year CPA target</li> <li>4. Pilot cost-effective demand response options and acquire 10MW of demand response</li> </ol>
<b>Further Investigation into Resources</b>	<ol style="list-style-type: none"> <li>5. Actively participate in discussions with BPA about future product options</li> <li>6. Conduct a demand response (DR) “potential assessment”</li> </ol>	<ol style="list-style-type: none"> <li>7. Continue to evaluate BPA renewal options</li> <li>8. Continue to investigate the value of pumped storage</li> <li>9. Continue to follow the development of new technologies</li> </ol>
<b>Continue Improving Modeling &amp; Analysis</b>	<ol style="list-style-type: none"> <li>10. Refine climate change modeling</li> <li>11. Refine approach to modeling DR</li> <li>12. Model EE as a resource in system model</li> <li>13. Refine modeling of storage in WECC model &amp; system model</li> <li>14. Analyze additional scenarios: vehicle &amp; building electrification, ban on natural gas generation in WA, lower Snake River dam removal</li> </ol>	<ol style="list-style-type: none"> <li>15. Continue improving functionality of our system model (SAM)</li> </ol>
<b>Equity</b>	<ol style="list-style-type: none"> <li>16. Develop metric(s) to account for equity in resource acquisition decisions</li> <li>17. Continue to improve inclusiveness of stakeholder outreach</li> </ol>	<ol style="list-style-type: none"> <li>18. Fully incorporate equity into resource acquisition decisions</li> </ol>

# 2020 Integrated Resource Plan



**TACOMA**  **POWER**  
TACOMA PUBLIC UTILITIES





# TABLE OF CONTENTS

<b>1 INTRODUCTION</b>	<b>5</b>
<b>2 ABOUT OUR INTEGRATED RESOURCE PLAN</b>	<b>11</b>
<b>3 NEW SINCE OUR 2017 IRP</b>	<b>12</b>
CLEAN ENERGY TRANSFORMATION ACT	12
EV AUTHORITY	12
THE ENERGY IMBALANCE MARKET	12
IMPACTS OF THE COVID-19 PANDEMIC	13
FOCUS ON EQUITY AND INCLUSION	13
<b>4 ANALYSIS</b>	<b>14</b>
HOW WE ANALYZE OUR PORTFOLIOS	14
PORTFOLIOS WE CONSIDER	15
RESULTS	16
<b>5 OUR RESOURCE STRATEGY AND ACTION PLAN</b>	<b>18</b>
RESOURCE STRATEGY	18
ACTION PLAN	18
MORE INFORMATION ABOUT THE IRP	19





© COPYRIGHT 2020



## 1 INTRODUCTION

Tacoma Power has been publicly-owned since 1893. We are a division of Tacoma Public Utilities, which is governed by a five-member Public Utility Board. We were established in 1893 when the citizens of Tacoma voted to buy the privately-owned Tacoma Light & Water Company. Local citizens believed that public ownership and local control would give them a higher caliber of services and the ability to maintain control over them. That decision paved the way for us to become a national leader in providing renewable, reliable, and affordable electricity.

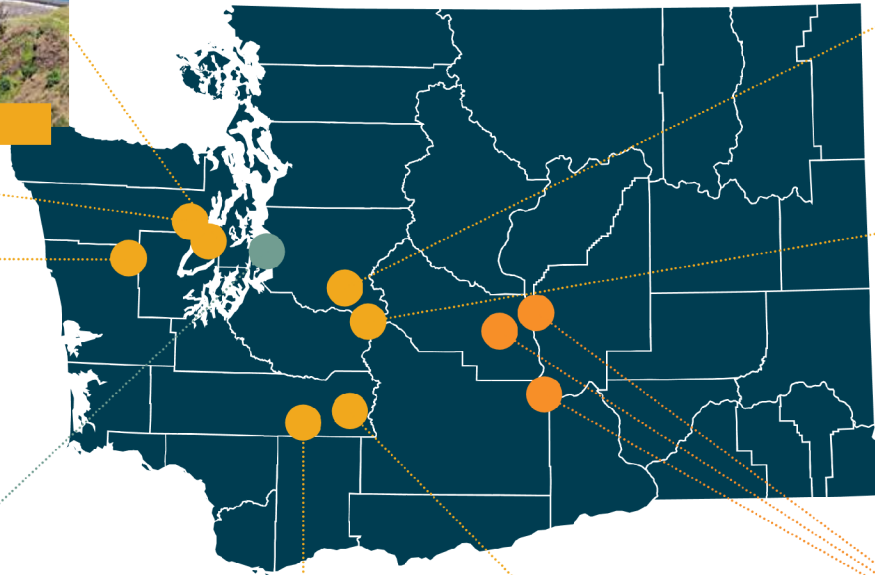
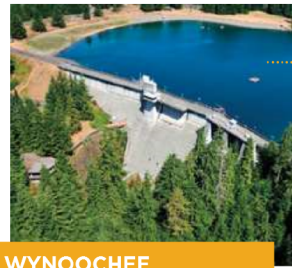
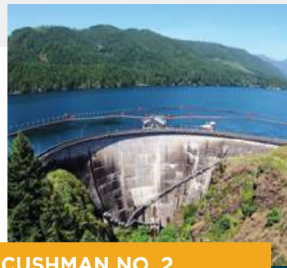
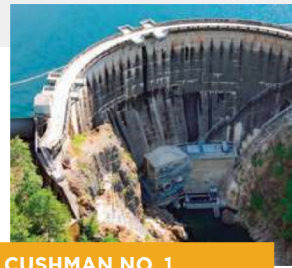
Today, we generate, transmit, and distribute electricity and provide energy services in an increasingly competitive marketplace. We provide electricity to nearly 179,000 homes and businesses across 180 square miles in the cities of Tacoma, Fircrest, University Place, Fife, parts of Steilacoom, Lakewood, Joint Base Lewis-McChord, and unincorporated Pierce County as far south as Roy.



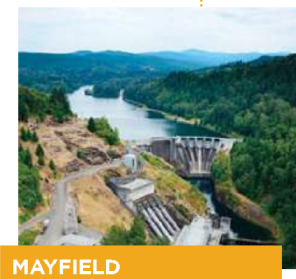
## WHERE YOUR POWER COMES FROM

Nearly all of the electricity we deliver to our customers comes from hydroelectric power sources. We produce a little less than half of it at four hydroelectric projects that we own and operate: the Cowlitz River Project, Cushman Hydroelectric Project, Nisqually River Project, and Wynoochee River Project. We contract with other predominantly hydro projects for the remainder.

Our resources usually provide more electricity than we need to serve our retail customers. When we have surplus electricity, we sell it on the wholesale market. **The revenue from these sales helps us maintain electric rates among the lowest in Washington State and the nation.**



CONSERVATION



## OUR HYDRO PROJECTS

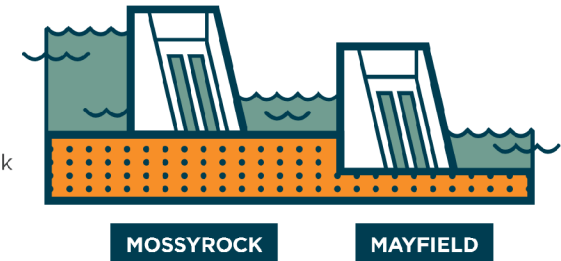
### COWLITZ RIVER PROJECT

#### Lewis County, WA

The Cowlitz River Project is our largest hydro project and comprises two dams. Built in 1963, Mayfield Dam forms the 13-mile-long Mayfield Lake. Mossyrock Dam, built in 1968, is the tallest dam in Washington State at 606 feet above bedrock and forms the 23.5-mile-long Riffe Lake.

#### Fast Facts

- Total generating capacity = 555MW
- Serves equivalent of 151,200 NW homes
- Significant storage and flexibility at Mossyrock
- Continuous outflow at Mayfield
- Current license period is 2003 through 2038



### CUSHMAN HYDROELECTRIC PROJECT

#### Mason County, WA

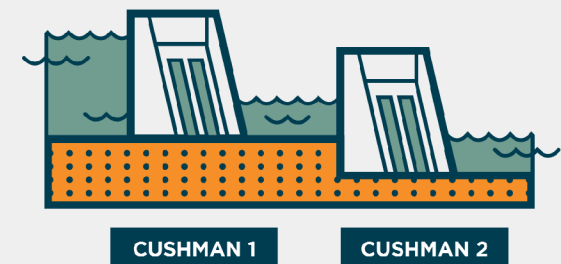
Energized in 1926, Cushman No. 1 Dam is one of the first major dams in the Pacific Northwest. The dam creates Lake Cushman.

Cushman No. 2 Dam is just downstream and was completed in 1930. It forms the 150-acre Kokanee Lake. Its powerhouse sits several miles below the dam, overlooking Hood Canal along U.S. Highway 101.

Electricity moves from the Cushman Hydroelectric Project to Tacoma on a 40-mile-long transmission line that spans more than a mile and a quarter between towers in Tacoma and Gig Harbor.

#### Fast Facts

- Total generating capacity = 134.6MW
- Serves equivalent of 30,200 NW homes
- Flexible when there are sufficient flows
- Current license period is 2010 through 2048



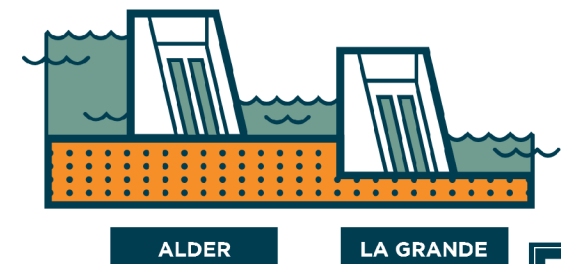
### NISQUALLY RIVER PROJECT

#### Pierce County, WA

Today, the Nisqually River Project is our second-largest hydro project. We began generating hydroelectricity from the Nisqually River in 1912. At that time, we used the diversion dam to direct water to a powerhouse. That changed in 1945 when we replaced it with two much larger concrete structures: Alder Dam and LaGrande Dam. Alder Lake is the 3,000-acre reservoir formed by Alder Dam.

#### Fast Facts

- Total generating capacity = 115.6MW
- Serves equivalent of 45,600 NW homes
- Flexible when there are sufficient flows
- Current license period is 1997 through 2037



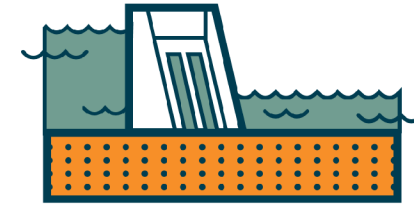
## WYNOOCHEE RIVER PROJECT

### Grays Harbor County, WA

Completed in 1972, the City of Aberdeen owns the Wynoochee Dam. It was built by the U.S. Army Corps of Engineers to provide flood control, irrigation, and industrial water storage for Aberdeen. The dam is located in the foothills of the Olympic Mountains in Grays Harbor County and forms Wynoochee Lake. We created the Wynoochee River Project in 1994 after building a powerhouse a quarter-mile downstream from the Wynoochee Dam.

### Fast Facts

- Total generating capacity = 12.8MW
- Serves equivalent of 2,500 NW homes
- Run-of-river operations
- Current license period is 1987 through 2037



WYNOOCHEE



## THE BENEFITS OF HYDROPOWER

Hydropower is a renewable, flexible, secure, and affordable source of power.



### Renewable

Each year, rain and snow replenish our supply of hydropower. Hydropower produces no emissions or waste products and is the largest source of clean power in the United States.



### Flexible

By changing the amount of water flowing through dams, hydropower facilities can instantly adjust how much power they produce. This flexibility makes hydropower particularly good at meeting rapid-changing demands for electricity throughout the day, which supports the integration of other renewable resources with less predictable output, like wind and solar.



### Secure

Our water supply is not vulnerable to foreign supply disruptions, international political crises, transportation outages, or unpredictable changes in fuel costs.



### Affordable

Hydropower's operating costs are low because the fuel that powers our dams—water—is free. As a result, customers in states like Idaho, Washington, and Oregon that get most of their electricity from hydropower benefit from lower energy bills than the rest of the United States.

## HYDRO POWER CONTRACTS

### BONNEVILLE POWER ADMINISTRATION

Most of the power we buy is from the Bonneville Power Administration (BPA). We rely on BPA for about half of our power supply in an average year. BPA sells its power from federally-owned hydro projects in the Columbia River Basin, several renewable projects in the Pacific Northwest, and the Columbia Generating Station, our region’s sole nuclear power plant. The Northwest Power Act requires BPA to provide power to each publicly owned utility that requests BPA power to meet its power needs. Each utility’s power need is calculated as the difference between its customers’ demand for power and its existing supply of power from other generating resources. We have been a BPA customer since 1940, and as a municipal utility, we are one of its “preference customers.”

**We rely on BPA for about half of our power supply in an average year.**

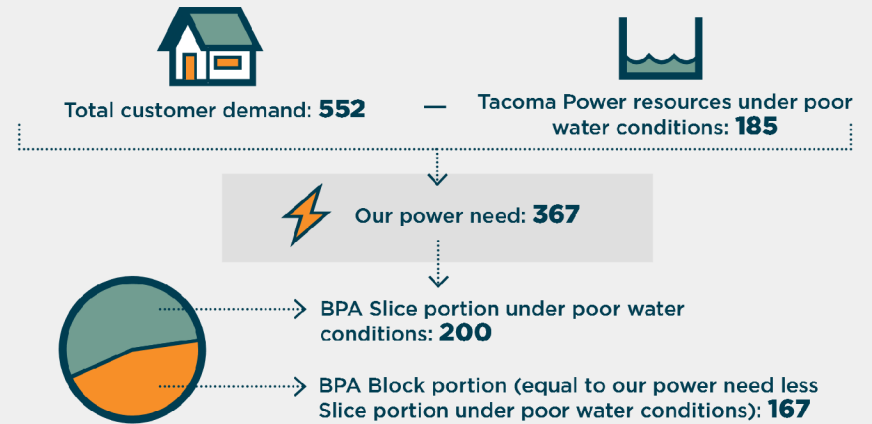
We receive energy from BPA through a hybrid Slice/Block product. Under the “Slice” portion of our contract, we receive approximately 3% of the power BPA produces, an amount that varies by year and season depending on streamflow conditions. Under the “Block” portion of our contract, BPA guarantees us a certain amount of energy every month that does not change with streamflow conditions.

Our current contract with BPA ends on September 30, 2028. Our 2020 IRP asks the following three questions regarding the renewal of our BPA contract in 2028:

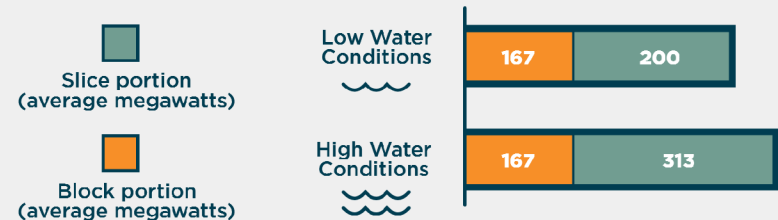
1. Should we renew our contract with BPA in 2028?
2. If we renew our contract with BPA, which BPA product looks most promising?
3. If we renew our contract with BPA, is there value in diversifying our portfolio by replacing part of our BPA contract with another source of non-emitting generation, like wind or solar?

Our next few IRPs will continue to evaluate these questions as 2028 approaches.

### EXAMPLE OF HOW BPA CALCULATES OUR POWER NEED



### ANNUAL ENERGY WE RECEIVE FROM THE BPA SLICE/BLOCK PRODUCT VARIES EACH YEAR BASED ON WATER CONDITIONS



### COLUMBIA BASIN HYDRO

We receive a small share of our power (roughly 3% of our generation in an average year) from Columbia Basin Hydropower (CBH) through contracts for 50% of the output from five hydro projects on irrigation canals. The supply is limited to the irrigation season (mainly summer months). Our contracts begin to expire in 2022 and terminate in 2027 completely. Because our contracts start to expire in the near future, a key question we consider for our current IRP is whether we should renew our contracts with CBH or let them expire.



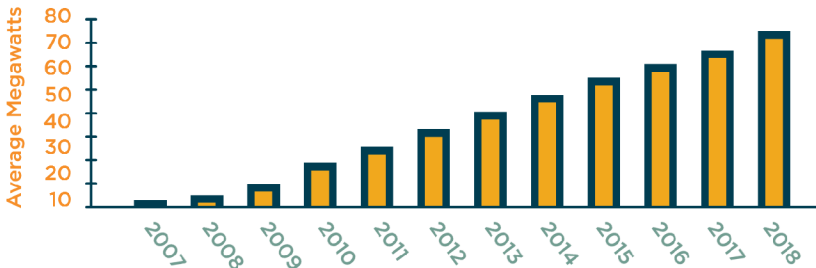
## CONSERVATION

For years, energy conservation has been the only resource we acquire, and we continue to help our customers reduce energy use, which assists us with avoiding the need to invest in costly generation facilities. We consistently meet or exceed our energy conservation goals. Thanks to our and your investments in energy conservation since 2007, each year we save the same amount of power as we generate annually at Mayfield Dam.



LEDs now make up 92% of Tacoma's streetlights.

CUMULATIVE CONSERVATION SAVINGS



CONSERVATION PROGRESS

Year	2012-2013	2014-2015	2016-2017	2018-2019
Average Megawatt Goal	11.27	8.10	9.54	9.99
Average Megawatt Achieved	15.37	14.60	11.47	13.98

### PROJECT HIGHLIGHT: LED STREETLIGHT REPLACEMENT PROJECT

Tacoma's streetlight replacement project is an example of how effective collaboration and sharing of duties between our utility and the City of Tacoma Department of Public Works enabled us to complete this energy conservation project three months early and almost \$2,000,000 under budget.

The City's Environmental Action Plan recommended upgrading 21,000 of Tacoma's inefficient HID streetlight fixtures that had been in service long past their useful life, to new LEDs. Meanwhile, Public Works faced a backlog of maintenance issues and delays in servicing existing streetlights due to staffing constraints. Limits to General Government's budget also made group fixture replacement impossible.

To help manage electricity costs, the City sought help from Tacoma Power for a solution. We created a new rate for LED streetlight service to recover

the project's capital and electricity costs by combining the expense of the LED fixtures with their energy use. The rate enabled us to fund and replace 15,400 HID fixtures with LEDs, and Public Works to replace 2,800 HID fixtures with LEDs through our Bright Rebates program. The City will save approximately 11,869,024 kWh of electricity. That amount equals the electricity use of almost 1,000 average homes.

The City will cut its lighting load by approximately 71%, reducing its electricity costs by almost \$560,000 each year. In addition to saving the City money through energy conservation and reducing maintenance costs, citizens and visitors in Tacoma have better quality and more consistent light levels that improve nighttime safety.

## TRANSMISSION RESOURCES

We use a combination of transmission lines we own and transmission we purchase from other providers to transport power from our generating resources to our local distribution system. Like most utilities in the Pacific Northwest, we rely heavily on BPA for transmission services. Because building transmission lines is very costly and can take decades, we do not consider construction of new transmission lines in our 2020 IRP.

### DEFINITION

#### Transmission

Transmission carries power from a generating source to a local power distribution system. Transmission power lines are typically taller, higher voltage lines than the ones used to distribute power to your home or business.







We work to ensure that IRP stakeholder group participants represent various segments of our customers, local and regional environmental groups, and organizations committed to economic justice.

## 2 ABOUT OUR INTEGRATED RESOURCE PLAN

Our Integrated Resource Plan (IRP) is a tool that helps us plan for an uncertain future so we can continue to provide reliable, low-cost power to our customers for decades. In each IRP, we look out over the next 20 years. We use sophisticated modeling tools and a great deal of analysis to help us understand how a potential decision about an energy resource might impact our customers, and our utility, under a broad range of future conditions. We create a new IRP every four years because our projections of what the future might hold evolve. We also revisit and make small updates to the plan in the interim every two years.

### COMMUNITY INPUT

Input from the communities we serve is an integral part of developing each IRP. Each time we develop an IRP, we hold a series of stakeholder workshops. The workshops are open to the public, and we post meeting materials (including a video recording of each workshop) on our IRP webpage. We held most of our 2020 workshops virtually due to COVID-19. We advertise workshops in advance through a variety of channels (website, social media, email to interested parties, etc.). We work to ensure that participants represent various segments of our customers, local and regional environmental groups, and organizations committed to economic justice.

We address and consider the feedback provided by our stakeholders. When we can, we incorporate suggestions into our modeling immediately. During our 2020 workshops, for example, several stakeholders suggested we consider demand response in some of our potential resource plans. Based on their feedback, we developed a simple demand response product to include in our analysis, and it is included in our final resource strategy. We will also continue to investigate more complex forms of demand response in our Action Plan, which we discuss later in this document. We save some other suggestions for consideration in future IRPs due to time constraints.





### 3 NEW SINCE OUR 2017 IRP

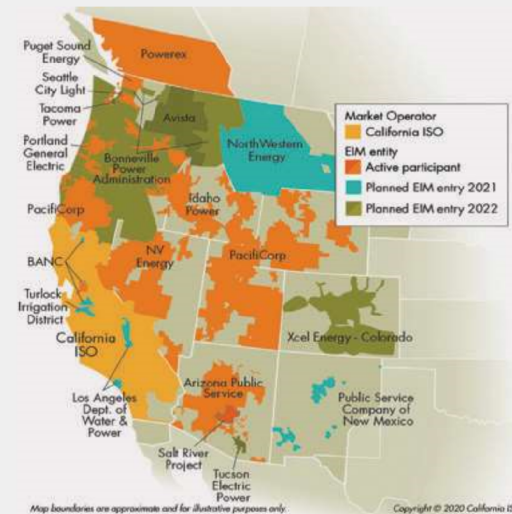
#### CLEAN ENERGY TRANSFORMATION ACT

On May 7, 2019, Governor Jay Inslee signed into law the Clean Energy Transformation Act (CETA) (E2SSB 5116, 2019), which commits the State of Washington to an electricity supply free of greenhouse gas emissions by 2045. The landmark law imposes new clean energy mandates on electric utilities in Washington as well as planning and reporting requirements. Stakeholders and state government officials from the departments of Commerce, Ecology, Health, and the Washington Utilities and Transportation Commission are working together to establish the rules to implement CETA. The rulemaking process is scheduled for completion by mid to late 2022. As a result, we did our best to comply with the spirit of the law in our 2020 IRP, but it may not reflect all CETA requirements.

#### EV AUTHORITY

SB 1512 was passed into law by the 2019 Washington State Legislature, and the bill is codified as RCW 35.92.450. The law provides that customer-owned utilities can create their own Transportation Electrification Plan (i.e., electric transportation plan) and, with adoption by their governing body, promote electric vehicles through programs, advertising, and direct incentives. The law strikes a balance by allowing utilities to promote electric vehicle adoption but seeks to uphold traditional utility principles that protect customers from program-related spending that could lead to significant rate increases.

On July 22, 2020, the Tacoma Public Utilities Board voted to adopt our first Transportation Electrification Plan, which establishes guiding principles for designing and delivering programs to support electric vehicle adoption. We also developed our first Transportation Electrification Action Report in 2020 and will update it annually.



#### THE ENERGY IMBALANCE MARKET

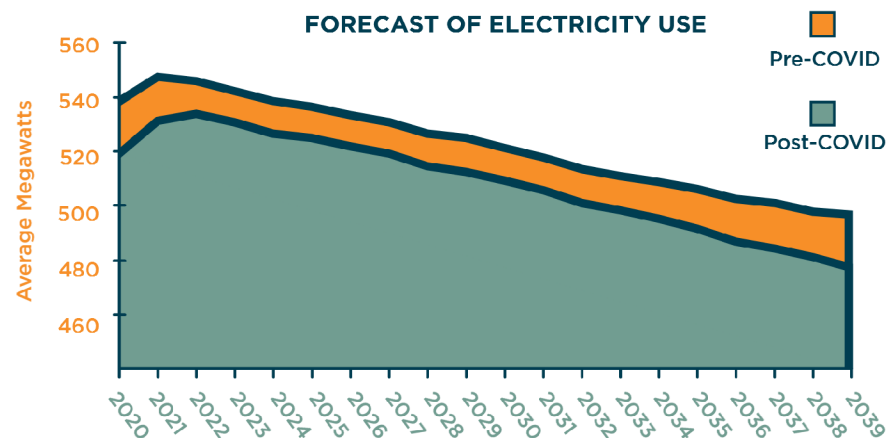
The Western Energy Imbalance Market (EIM), which is operated by the California Independent System Operator (CAISO), provides participating utilities the ability to improve their balance of supply and demand for energy within time intervals as short as five and fifteen-minutes. Prior to the development of the EIM in the Northwest, real-time energy was only bought and sold between two entities, with most transactions lasting for one hour. Within the markets that CAISO operates, however, real-time trading occurs through a centralized and automated market that optimizes the bids for buying and selling of all market participants. Coordination improves reliability and reduces system costs.

To expand the capabilities of its system, in 2014 the CAISO began expanding the EIM outside of California in partnership with PacifiCorp. It has since grown to include 11 organizations, with nine more committed to joining by 2022, including BPA and Tacoma Power. The process of our EIM implementation is fully underway, with a targeted “go live” date of March 2022.



## IMPACTS OF THE COVID-19 PANDEMIC

We finalized the assumptions for our 2020 IRP modeling before the onset of the COVID-19 pandemic and do not directly take its impacts into account in our modeling. As commercial activity shut down locally, commercial customers' demand for electricity dropped. The relatively small uptick in residential usage was not enough to replace that loss. Economists expect national economic recovery might be slow, uneven, and fragile and that some industries might not recover for years. As a result, we revised our long-term forecast of electricity consumption to account for the on-going pandemic and economic downturn. The revised forecast is between 2.0% and 5.0% below our October 2019 forecast that we used in the IRP. While we do not include the updated forecast in our analysis, we do consider a range of forecasts in our modeling, including one where the demand for electricity goes down over time.



## FOCUS ON EQUITY AND INCLUSION

We recognize that the historical legacies and current manifestations of systemic racism and other forms of oppression create disparities in our communities and service areas. While overtly racist laws and practices such as redlining are no longer in use, our communities and service areas are still impacted by them. As a public entity, it is important that we incorporate racial and other equity into our work so that we do not unintentionally perpetuate these disparities.

To that end, the Tacoma City Council unanimously adopted the City's Equity and Empowerment framework in 2014. In August 2019, the Tacoma Public Utility Board adopted Strategic Directive #1 pertaining to equity and inclusion. More recently, the Tacoma City Council adopted Resolution Number 40622, outlining a commitment to anti-racist system transformation.

In addition to our internal commitments as an organization, there is also language in CETA that requires utilities to consider equity in resource planning. According



**As a public entity, it is important that we incorporate racial and other equity into our work so that we do not unintentionally perpetuate these disparities.**

to CETA, utilities must ensure that all customers benefit from the transition to clean energy through the equitable distribution of energy and non-energy benefits, and the reduction of burden to vulnerable populations and highly impacted communities.

There are two areas where our IRP can address equity and inclusion:

- 1. During public stakeholder outreach.** When we conduct outreach to our stakeholders, we are intentional in organizing a diverse group of stakeholders for their feedback. We will continue to improve our inclusivity in our outreach in the future.
- 2. In our IRP analysis.** Incorporating equity into our IRP analysis calls for quantitative metrics. As part of CETA rulemaking, the Washington State Department of Health leads a workgroup that is developing a cumulative impact analysis framework that will serve as the basis for utilities to incorporate equity considerations into their planning. That process was not complete before filing our 2020 IRP. Our resource planning team participates in all public meetings relating to the development of those equity metrics and will incorporate equity metrics into our IRPs in the future.





## 4 ANALYSIS

We consider many different power generating technologies and demand-side resources like energy conservation and demand response to meet our needs in the future. We combine them into portfolios, run each portfolio through our models, and compare their performance based on a set of performance criteria.

### HOW WE ANALYZE OUR PORTFOLIOS

We assess our portfolios using several metrics. While the metrics evolve, we always include two fundamental criteria:

1. That our portfolios leave us with enough resources to meet customer needs (resource adequacy) and,
2. That our costs are as low as possible given our other constraints and priorities.

In our 2020 IRP, we assess our portfolios based on five metrics (see page 16 for more details):

- i. compliance with Washington's CETA,
- ii. resource adequacy,
- iii. expected portfolio cost,
- iv. financial risk; and
- v. carbon emissions.

We treat the first two criteria (resource adequacy and CETA compliance) as hard constraints, meaning that portfolios must meet these criteria to be viable. Our 2020 IRP metrics are consistent with our Public Utility Board's Strategic Directives.

## A CONNECTION TO THE STRATEGIC DIRECTIVES OF THE PUBLIC UTILITY BOARD

The metrics we use to evaluate portfolios are tied closely to the Public Utility Board's strategic directives (SD) below.



### Equity and Inclusion (SD1)

- Portfolio cost (keep rates low for financially disadvantaged customers)
- Equity metric to be developed for our next IRP



### Financial Sustainability (SD2) and Rates (SD3)

- Portfolio cost
- Financial risk



### Environmental Leadership (SD5) and Decarbonization (SD11)

- CETA compliance
- Portfolio carbon emissions



### Reliability and Resiliency (SD7)

- Resource adequacy

The strategic directives below are not tied to the metrics we use to evaluate portfolios, but they guide our process.



### Stakeholder Engagement (SD4)

- Stakeholder input sought in portfolio selection
- Metrics of engagement to be developed to gauge success of public process



### Innovation (SD6)

- May be considered qualitatively in future IRPs











### Resource Planning (SD14)

- We conduct our IRP according to the values described in the Resource Planning directive

## PORTFOLIOS WE CONSIDER

We evaluate 23 portfolios that include different combinations of products from BPA, CBH, wind, solar, additional hydropower at our facilities, pumped storage, natural gas, nuclear power, and demand response. Of the 23 portfolios we evaluate, 22 include only carbon-free resources. All of the portfolios include our current hydro projects and energy conservation. View some examples of the portfolios we evaluate below.

### EXAMPLES OF PORTFOLIOS WE CONSIDER

 <p><b>Slice/Block Portfolio</b></p>	 <p><b>Shapeable Block Portfolio</b></p>
 <p><b>Reduced Slice/Block with Eastern Washington Wind Portfolio</b></p>	 <p><b>Reduce Block with Eastern Washington Wind Portfolio</b></p>
 <p><b>Slice/Block + 80MW Eastern Washington Wind Portfolio</b></p>	 <p><b>Slice/Block + Columbia Basin Hydro (CBH) Portfolio</b></p>
 <p><b>Slice/Block + 10MW Demand Response Portfolio</b></p>	 <p><b>Wind + Pumped Storage Hydro (PSH) + Demand Response (no BPA) Portfolio</b></p>

 Conservation	 Gorge Wind	 Shapeable Block
 Demand Response	 Montana Wind	 Slice/Block
 Eastern Washington Wind	 PSH at the Cowlitz River Project	 Tacoma Power Hydro
 Eastern Washington Wind (partially replaces BPA)	 Renew CBH	

## DEFINITIONS

### Demand Response



Demand response is a change or shift in the timing of customer energy consumption. Customers choose to consume less energy at times when our power supply is tight or wholesale power prices are high and more at times when supply is plentiful and wholesale prices are low. Examples can include thermostats or water heaters that are programmed to shift energy use to certain times. It can also be industrial customers scheduling their production processes around certain times of the day. Because demand response is beneficial to the utility and helps keep rates low, customers receive compensation for participating. Demand response is a demand-side resource, meaning that we invest in altering customer consumption rather than investing in additional generating technologies.

### Conservation



Energy conservation is also a demand-side resource. Conservation and energy efficiency are defined differently by different people and are sometimes used interchangeably. For us, conservation means reducing energy consumption through the use of more efficient technologies or practices that provide the same amount of heat, light, work etc. It does not include reducing energy use in ways that compromise productivity or comfort.

### BPA Slice/Block Product



We currently receive energy from BPA through a hybrid Slice/Block product. Under the “Slice” portion of our contract, we receive approximately 3% of the power that BPA produces, which varies with streamflow conditions. Under the “Block” portion of our contract, we are guaranteed a certain amount of energy every month that does not change with streamflow conditions.

### BPA Shapable Block Product



This Block-only product from BPA guarantees us a specific amount of energy each month, with some flexibility to determine when we receive that energy across certain hours of the day.

### Pumped Storage Hydro (PSH)



PSH is a type of hydroelectric energy storage. When water is plentiful, it is pumped from a lower reservoir to an upper reservoir, where it is stored. Water is released from the upper reservoir and run through turbines to generate power when it is needed.

### Portfolio



A portfolio is a specific combination of power generation resources and demand-side resources. The combination of resources is used to serve customers’ power needs.



## RESULTS

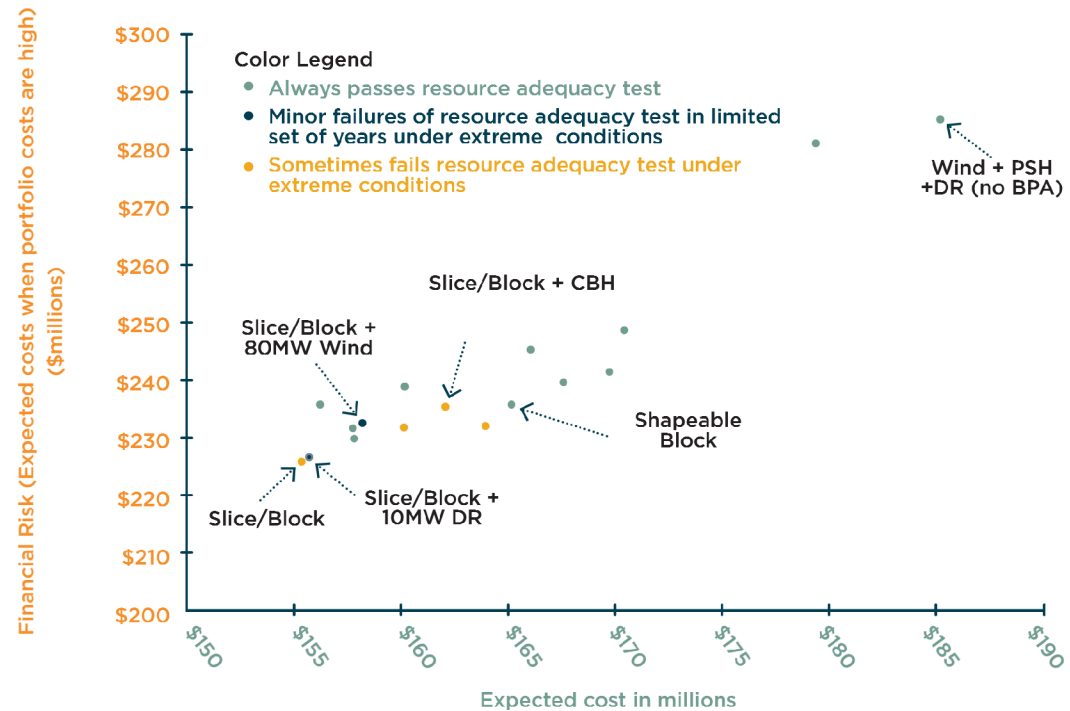
### CETA COMPLIANCE:

Any portfolio we consider must meet the requirement that we serve at least 80% of our load by carbon-free power by 2030. All of the portfolios we analyze in our 2020 IRP comply with this requirement. CETA will eventually require that we serve 100% of our load by carbon-free power by 2045. We will begin to address post-2024 compliance after CETA rulemaking concludes.

### RESOURCE ADEQUACY

Resource adequacy means having enough power resources available to serve electricity demands across a range of conditions. We evaluate each potential portfolio based on three resource adequacy metrics that measure the magnitude, duration, and frequency of potential shortfall events. We eliminate portfolios from consideration if they do not meet a certain threshold for each metric. Out of the 23 portfolios we consider, 17 pass our resource adequacy tests, though some still present minor resource adequacy concerns under extreme low water conditions. Generally, our analysis finds it is difficult to replace our BPA contract with other sources of renewable power like wind and solar. Portfolios that include the renewal of our BPA contract with the Shapeable Block product are always adequate whenever we renew them at current resource levels. Portfolios that include the renewal of our BPA contract with the current Slice/Block product result in some occasional concerns unless we add more winter capacity into the portfolio. These occasional adequacy challenges are not consistent issues that are likely to occur in many years. They result from low probability events (nearly one-in- 60-years) but are potentially high impact when they do occur due to the potential for large shortfalls.

### PORTFOLIO PERFORMANCE



### PORTFOLIO COST & FINANCIAL RISK

Among the portfolios we examine, our analysis finds that those with the lowest cost and lowest financial risk involve renewing our BPA contract with the Slice/Block product. However, they do sometimes fail our resource adequacy standard due to the challenge the product can cause in extremely low water conditions. We find that adding 10MW of demand response is the lowest cost and least risky way to improve the adequacy of Slice/Block in extremely low water conditions.

### CARBON EMISSIONS

Because all of the portfolios that passed our resource adequacy tests include only non-emitting generating resources, the only carbon entering our portfolio comes from market purchases we make or from those made by BPA that pass through to us. As a result, all of our portfolios are very low carbon.

## THE IMPACTS OF CLIMATE CHANGE

We took some first steps to consider climate change in our 2015 IRP by conducting a study to understand the potential impacts of climate change on our resource supply. In our 2020 IRP, we take the next step and made the first attempt at including climate change projections in our model. We will continue improving our approach in our next IRP. Based on the modeling work in our 2020 IRP, we find:



1. Because temperatures are warmer, customers use less during the winter, when we tend to see the highest demand for power. While summer usage increases, the winter reduction is larger.



2. Inflows and power generation tend to be higher overall across the year, especially during the winter. Winter inflows increase because warmer temperatures mean more precipitation falling as rain and less being stored as snow in the mountains. Summer inflows and generation are a little lower because less snowpack is left to melt in the summer, but the summer reduction is smaller than the winter increase.

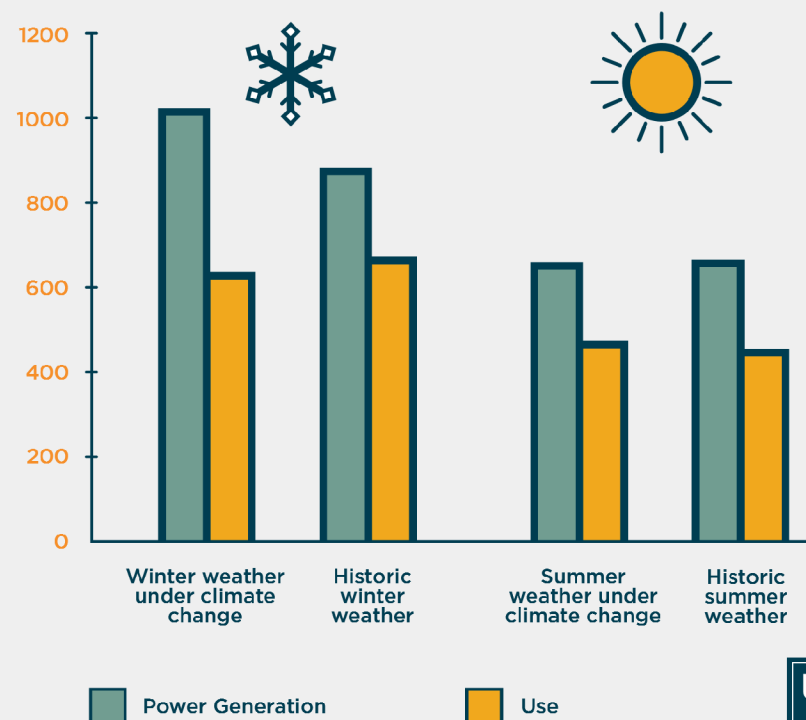


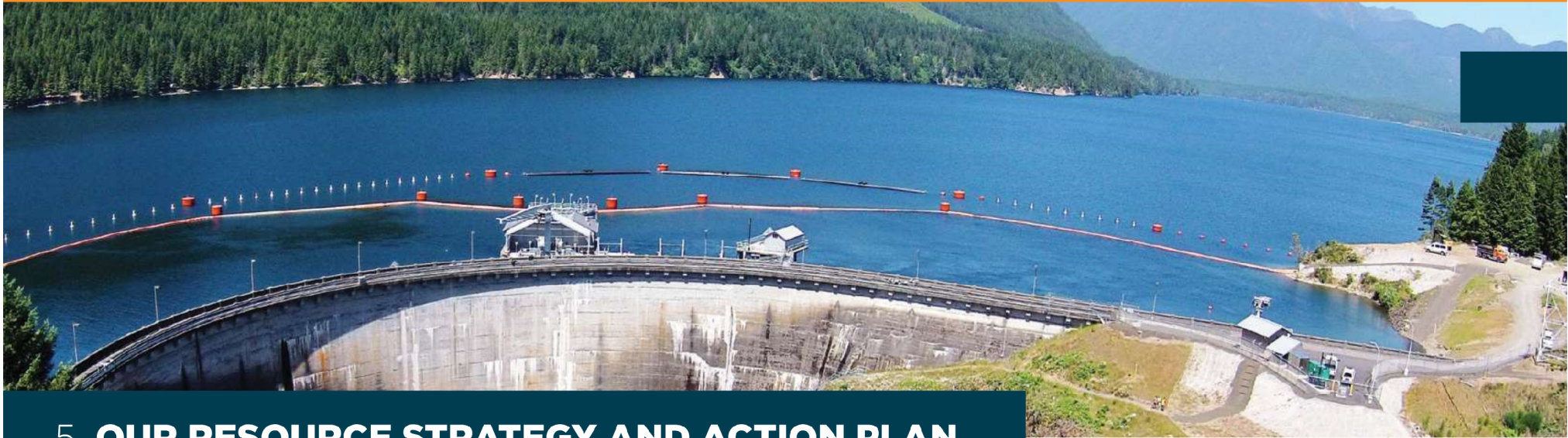
3. The combination of lower winter loads and more winter water generally improves our resource adequacy, but it also points to a change in the type of event we see. Rather than the very low-probability, high-impact events seen with historical weather conditions, some climate models project a higher probability of low-impact events (i.e., small, short-duration events).

Our analysis does not address other types of risks associated with climate change, such as flood risk, transmission system risk from wildfires, or risk to fish from changes to stream temperatures.



AVERAGE POWER GENERATION AND USE WITH CLIMATE CHANGE





## 5 OUR RESOURCE STRATEGY AND ACTION PLAN

### RESOURCE STRATEGY

Our analysis finds that, among the options we model, the lowest cost and least risk resource strategy for 2020:

1. Acquires all the economic and achievable conservation we identify in our 2020 Conservation Potential Assessment (CPA).
2. Allows our CBH contracts to expire without renewal.
3. Adds 10 megawatts of demand response to our portfolio by 2024.
4. Renews our BPA contract with the same product we have now and at the same resource level when the current contract expires in 2028 but continues to evaluate this question in our future IRPs.

### ACTION PLAN

Each time we conduct an IRP, we develop an action plan to implement the resource strategy we select and prepare for future IRP analyses. Our action plan takes into account stakeholder and Public Utility Board suggestions, as well as our understanding of the work we need to undertake to move our IRP forward. Our 2020 IRP Action Plan is categorized by the type of action and separated by immediate actions (within two years) and long-term actions (within 10 years).

Action items relating to **resource acquisition or retirement** follow our resource plan, which includes acquiring all cost-effective energy conservation, acquiring 10MW of demand response, and allowing our CBH contracts to expire.

Action items relating to further **resource investigation** over the next two years focus on the two types resources we include in our IRP—BPA products and demand response—and, in the long run, on resources that might hold particular promise for the future, including pumped storage.

Two-year action items relating to the **continued improvement of our modeling tools and analysis approach** represent priority improvements. Over the long run, we will continue to make additional improvements.

Action items relating to **equity and inclusion** are consistent with the priorities of the City of Tacoma and Tacoma Public Utilities to promote equity and inclusion. These action items include developing a metric that will take equity into account in resource decisions and continuing to improve inclusivity in our outreach efforts over the next two years.



## VISUAL ACTION PLAN

	NEXT TWO YEARS	NEXT TEN YEARS
<b>Resource Acquisition/Retirement</b>	<ol style="list-style-type: none"> <li>1. Do not renew CBH and notify parties of our CBH renewal decision</li> <li>2. Acquire our two-year CPA potential.</li> </ol>	<ol style="list-style-type: none"> <li>3. Acquire our 10-year CPA target.</li> <li>4. Pilot cost-effective demand response options and acquire 10MW of demand response</li> </ol>
<b>Further Investigation into Resources</b>	<ol style="list-style-type: none"> <li>5. Actively participate in discussions with BPA about future product options.</li> <li>6. Conduct a demand response "potential assessment."</li> </ol>	<ol style="list-style-type: none"> <li>7. Continue to evaluate our BPA renewal options.</li> <li>8. Continue to investigate the value of pumped storage.</li> <li>9. Continue to follow the development of new technologies.</li> </ol>
<b>Continue to Improve Modeling and Analysis</b>	<ol style="list-style-type: none"> <li>10. Refine our climate change modeling.</li> <li>11. Refine our approach to modeling demand response.</li> <li>12. Model conservation as a resource in our system model</li> <li>13. Refine modeling of storage in our WECC and system models.</li> <li>14. Analyze additional scenarios: electric vehicles and electrification of buildings, ban on natural gas generation in Washington, and lower Snake River dam removal.</li> </ol>	<ol style="list-style-type: none"> <li>15. Continue to improve the functionality of our system model.</li> </ol>
<b>Equity and Inclusion</b>	<ol style="list-style-type: none"> <li>16. Develop metric(s) to account for equity and inclusion in our decisions about resource acquisition.</li> <li>17. Continue to improve inclusivity in our stakeholder outreach.</li> </ol>	<ol style="list-style-type: none"> <li>18. Fully incorporate equity and inclusion into our resource acquisition decisions.</li> </ol>



### MORE INFORMATION ABOUT THE IRP

Visit [MyTPU.org/IRP](https://www.mystpu.org/IRP) to read the full technical 2020 IRP.



# 2020 Integrated Resource Plan



**From:** [Patton, Kathryn B \(BPA\) - PSS-SEATTLE](#)  
**To:** [Cross, Robin](#); [Munz, Paul G \(BPA\) - PSW-SEATTLE](#)  
**Subject:** RE: Resource Removal - CBHP Q's  
**Date:** Wednesday, October 14, 2020 12:46:39 PM

(b)(4)

**Kathryn Patton**  
Public Utility Specialist | Power Account Services  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 206-403-8034 |



**From:** Cross, Robin <[Robin.Cross@seattle.gov](mailto:Robin.Cross@seattle.gov)>  
**Sent:** Wednesday, October 14, 2020 12:44 PM  
**To:** Patton, Kathryn B (BPA) - PSS-SEATTLE <[kbpatton@bpa.gov](mailto:kbpatton@bpa.gov)>; Munz, Paul G (BPA) - PSW-SEATTLE <[pgmunz@bpa.gov](mailto:pgmunz@bpa.gov)>  
**Subject:** [EXTERNAL] RE: Resource Removal - CBHP Q's

Meaning if our Net Requirement was less than our RHWMM after resource removal it would most likely be at Tier 1 rates???

**From:** Patton, Kathryn B (BPA) - PSS-SEATTLE <[kbpatton@bpa.gov](mailto:kbpatton@bpa.gov)>  
**Sent:** Wednesday, October 14, 2020 12:43 PM  
**To:** Cross, Robin <[Robin.Cross@seattle.gov](mailto:Robin.Cross@seattle.gov)>; Munz, Paul G (BPA) - PSW-SEATTLE <[pgmunz@bpa.gov](mailto:pgmunz@bpa.gov)>  
**Subject:** RE: Resource Removal - CBHP Q's

**CAUTION: External Email**

Robin

(b)(4)

**Kathryn Patton**  
Public Utility Specialist | Power Account Services  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 206-403-8034 |



**From:** Cross, Robin <[Robin.Cross@seattle.gov](mailto:Robin.Cross@seattle.gov)>  
**Sent:** Wednesday, October 14, 2020 12:40 PM  
**To:** Patton, Kathryn B (BPA) - PSS-SEATTLE <[kbpatton@bpa.gov](mailto:kbpatton@bpa.gov)>; Munz, Paul G (BPA) - PSW-SEATTLE <[pgmunz@bpa.gov](mailto:pgmunz@bpa.gov)>  
**Subject:** [EXTERNAL] RE: Resource Removal - CBHP Q's

Kathryn,  
Very helpful.

(b)(4)

Conclusion: It's not 100% clear how it would be priced because BPA has an ability to revise it's GRSPs?

Did I get it right?  
Thanks,  
Robin

---

**From:** Patton,Kathryn B (BPA) - PSS-SEATTLE <[kbpattton@bpa.gov](mailto:kbpattton@bpa.gov)>

**Sent:** Wednesday, October 14, 2020 11:53 AM

**To:** Cross, Robin <[Robin.Cross@seattle.gov](mailto:Robin.Cross@seattle.gov)>; Munz,Paul G (BPA) - PSW-SEATTLE <[pgrmunz@bpa.gov](mailto:pgrmunz@bpa.gov)>

**Subject:** RE: Resource Removal - CBHP Q's

CAUTION: External Email

Hello,

(b)(4)

The reference to the GRSPs in section 3.5.5 is vague on purpose, it is the same language in the LF and Slice/Block contracts. BPA is basically reserving the right to add something into a rate case if a thorny resource issue came up. At this point, the only thing that I think would be applicable would be the Unanticipated Load Service (ULS) rate. But the ULS is mostly used for Load Followings customers to account for any changes that happen after we set their Net Requirement. BPA does have the right under the GRSPs, Section G, to adjust the TOCAs for Block customers if a specified resource changes. That is probably what we would do if there was a timing issue between when the resource removal occurred and the Net Requirement process determined SCL's Net Requirement.

I hope this answers your question better. If you have specific load forecast data, we could try to run some forecasted Net Requirement calculations to see where SCL would be relative to its RHWM.

**Kathryn Patton**  
Public Utility Specialist | Power Account Services  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 206-403-8034 |



---

**From:** Cross, Robin <[Robin.Cross@seattle.gov](mailto:Robin.Cross@seattle.gov)>  
**Sent:** Wednesday, October 14, 2020 10:41 AM  
**To:** Patton,Kathryn B (BPA) - PSS-SEATTLE <[kbpatton@bpa.gov](mailto:kbpatton@bpa.gov)>; Munz,Paul G (BPA) - PSW-SEATTLE <[pgmunz@bpa.gov](mailto:pgmunz@bpa.gov)>  
**Subject:** [EXTERNAL] RE: Resource Removal - CBHP Q's

Kathryn,

(b)(4)

**Exhibit A section 1. Language**

Seattle's Net Requirement equals its Total Retail Load minus Seattle's Dedicated Resources determined pursuant to section 3.3 of the body of this Agreement and listed in sections 2, 3, and 4 of this exhibit. **The Parties shall not add or remove resource amounts to change Seattle's purchase obligations** from BPA under section 3.1 of the body of this Agreement **except in accordance with sections 3.5** and 10 of the body of this Agreement.

The language in 3.5.5 – is vague so I thought I'd check in. If you think there's something in the GRSPs that I should be reading in combination with 3.5.5 that makes it clear, that would be helpful.

**3.5.5 Permanent Discontinuance of Resources**

Seattle may permanently remove a Specified Resource listed in section 2 of Exhibit A, consistent with the 5(b)/9(c) Policy on statutory discontinuance for permanent removal. If BPA makes a determination that Seattle's Specified Resource has met BPA's standards for a permanent removal, then BPA shall revise Exhibit A accordingly. If Seattle does not replace such resource with another Dedicated Resource, then Seattle's additional Firm Requirements Power purchases under this Agreement, as a result of such a resource removal, may be subject to additional rates or charges as established in the Wholesale Power Rate Schedules and GRSPs.

---

**From:** Patton,Kathryn B (BPA) - PSS-SEATTLE <[kbpatton@bpa.gov](mailto:kbpatton@bpa.gov)>

**Sent:** Tuesday, October 13, 2020 1:45 PM  
**To:** Cross, Robin <[Robin.Cross@seattle.gov](mailto:Robin.Cross@seattle.gov)>; Munz, Paul G (BPA) - PSW-SEATTLE <[pgmunz@bpa.gov](mailto:pgmunz@bpa.gov)>  
**Subject:** RE: Resource Removal - CBHP Q's

CAUTION: External Email

Hello,

(b)(4)

**Kathryn Patton**  
Public Utility Specialist | Power Account Services  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 206-403-8034 |



---

**From:** Cross, Robin <[Robin.Cross@seattle.gov](mailto:Robin.Cross@seattle.gov)>  
**Sent:** Tuesday, October 13, 2020 1:41 PM  
**To:** Patton, Kathryn B (BPA) - PSS-SEATTLE <[kbpatton@bpa.gov](mailto:kbpatton@bpa.gov)>; Munz, Paul G (BPA) - PSW-SEATTLE <[pgmunz@bpa.gov](mailto:pgmunz@bpa.gov)>  
**Subject:** [EXTERNAL] RE: Resource Removal - CBHP Q's

Kathryn

(b)(4)

Thanks,  
Robin  
P.S. I have one more question – but I'm going to hold off asking until we clarify the above.

---

**From:** Patton, Kathryn B (BPA) - PSS-SEATTLE <[kbpatton@bpa.gov](mailto:kbpatton@bpa.gov)>  
**Sent:** Tuesday, October 13, 2020 1:14 PM  
**To:** Cross, Robin <[Robin.Cross@seattle.gov](mailto:Robin.Cross@seattle.gov)>; Munz, Paul G (BPA) - PSW-SEATTLE <[pgmunz@bpa.gov](mailto:pgmunz@bpa.gov)>  
**Subject:** RE: Resource Removal - CBHP Q's

CAUTION: External Email

Good Afternoon,

(b)(4)

(b)(4)

**Kathryn Patton**  
Public Utility Specialist | Power Account Services  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 206-403-8034 |



---

**From:** Cross, Robin <[Robin.Cross@seattle.gov](mailto:Robin.Cross@seattle.gov)>

**Sent:** Tuesday, October 13, 2020 1:00 PM

**To:** Munz, Paul G (BPA) - PSW-SEATTLE <[pgmunz@bpa.gov](mailto:pgmunz@bpa.gov)>; Patton, Kathryn B (BPA) - PSS-SEATTLE <[kbpatton@bpa.gov](mailto:kbpatton@bpa.gov)>

**Subject:** [EXTERNAL] Resource Removal - CBHP Q's

Paul and Kathryn,

(b)(4)

ROBIN H. CROSS | WHOLESALER CONTRACTS MANAGER  
POWER MANAGEMENT DIVISION



**Seattle City Light**

[robin.cross@seattle.gov](mailto:robin.cross@seattle.gov)

TEL (206) 684-3392 FAX. (206) 386-4555



**From:** [Thompson, Kim T \(BPA\) - PS-6](#)  
**To:** [Munz, Paul G \(BPA\) - PSW-SEATTLE](#)  
**Cc:** [Gillman, Richard A \(BPA\) - TSE-TPP-2](#)  
**Subject:** RE: SCL/BPA 10/1 Meeting; Update and Topics for Next Week  
**Date:** Wednesday, September 30, 2020 5:19:14 PM

---

Thanks Paul – Emeka (below) noted his intent to circulate an agenda today. Having not seen it, I shared the working list from Rich with the group.

Thank you for sharing the note on Post 2028 inputs. I cannot recall if you'd previously shared it with me – but appreciate the chance to read / re-read ahead of our meeting tomorrow. I am very interested in your perspective on what Joy sketched in the letter. Not sure if we can chat ahead of the meeting, but will try to catch you tomorrow.

Best Regards,  
**Kim Thompson**  
Northwest Requirements Marketing | Vice President  
**BONNEVILLE POWER ADMINISTRATION**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



---

**From:** Munz, Paul G (BPA) - PSW-SEATTLE <pgmunz@bpa.gov>  
**Sent:** Wednesday, September 30, 2020 11:04 AM  
**To:** Thompson, Kim T (BPA) - PS-6 <kthompson@bpa.gov>  
**Cc:** Gillman, Richard A (BPA) - TSE-TPP-2 <ragillman@bpa.gov>  
**Subject:** SCL/BPA 10/1 Meeting; Update and Topics for Next Week

Hi Kim,

It's amazing how fast the time is going. Rich and I have been working to clarify agenda topics for tomorrow's SCL/BPA meeting and received this reply from Emeka at the end of the day yesterday. The draft agenda topics Emeka refers to are mid-way down in Rich's 9/24 message below. I know that Emeka was interested in getting a read from you about the SCL letter (attached) that Joy Liechty sent in as their response to our Provider of Choice comment submittal.

I hope that helps.

Please let me know if you have questions.

Thanks,

Paul  
(206) 496-4021

---

**From:** Anyanwu, Emeka <[Emeka.Anyanwu@seattle.gov](mailto:Emeka.Anyanwu@seattle.gov)>  
**Sent:** Tuesday, September 29, 2020 5:54 PM  
**To:** Gillman, Richard A (BPA) - TSE-TPP-2 <[ragillman@bpa.gov](mailto:ragillman@bpa.gov)>  
**Cc:** Munz, Paul G (BPA) - PSW-SEATTLE <[pgmunz@bpa.gov](mailto:pgmunz@bpa.gov)>; Liechty, Joy M. <[Joy.Liechty@seattle.gov](mailto:Joy.Liechty@seattle.gov)>; Cross, Robin <[Robin.Cross@seattle.gov](mailto:Robin.Cross@seattle.gov)>; Wright, Cindy M <[Cindy.Wright@seattle.gov](mailto:Cindy.Wright@seattle.gov)>  
**Subject:** [EXTERNAL] RE: Update and Topics for Next Week

Rich –

Your topics are very similar to what we have put together – the only thing we have that is different would be the discussion of the losses. Happy to have some follow up discussion of those, though I doubt we'll have the time to be exhaustive. I think in general, we do have some questions about some of the assumptions attendant to the proposed policy changes.

I should have a final agenda draft over to you all tomorrow.

Thanks,  
Emeka

EMEKA ANYANWU  
SEATTLE CITY LIGHT  
(206) 684-3718

---

**From:** Gillman, Richard A (BPA) - TSE-TPP-2 <[ragillman@bpa.gov](mailto:ragillman@bpa.gov)>  
**Sent:** Thursday, September 24, 2020 7:40 AM  
**To:** Anyanwu, Emeka <[Emeka.Anyanwu@seattle.gov](mailto:Emeka.Anyanwu@seattle.gov)>  
**Cc:** Munz, Paul G (BPA) - PSW-SEATTLE <[pgmunz@bpa.gov](mailto:pgmunz@bpa.gov)>  
**Subject:** Update and Topics for Next Week

**CAUTION: External Email**

Good morning Emeka.

I hope this finds you and your family well and safe.

I thought you would appreciate the letter associated with this link - <https://www.electric.coop/oregon-co-op-leaders-letter-on-oregon-wildfires-restoration/> . The letter stirred some emotions for me – pride for the industry I have been a part of for almost 40-years, that there is care and support during this time of national division and unrest, and a feeling of hope for more strength for folks given the long run many have in front of them.

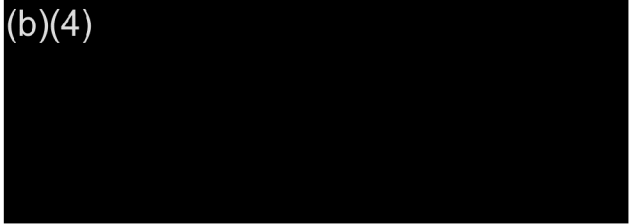
I wanted to provide you with a brief update on our Facility Ratings effort, especially since I canceled our meeting last week. As I trust you are aware, our teams have been meeting and sharing drafts of an operating plan that addresses roles and procedures and enables “co-operation” of our systems effecting the Puget Sound system. I think I had noted a sense that given the staffs, yours and ours, we would end up here. The upshot is that SCL will now feel comfortable with deploying emergency ratings. Pawel has been in touch with Michelle and the staff exchanges have extended to dispatch as

well. I think the relationship at the grass roots level bodes well for all of us as we continue to look at and manage the Puget Sound Area. Kudos to BPA and SCL staffs!

It's that time to plan our next Management meeting again. It seems that we just finish meeting and acting on our action items and it becomes time to identify our topics for the next one. Does it make sense for Paul and I to get a conference call with you and your team? It served us well last time.

Paul and I have shared the following ideas for topics:

1. Update on losses – SCL's thoughts and test BPA's next steps
2. Post-2028 Survey Provider of Choice
3. SCL's transmission needs



- b. Next steps
  - i. Facility Ratings
  - ii. ST availability
  - iii. Cluster Study
    1. CF
  - iv. Etc..
4. PSANI update on Broad Street Inductor
5. Other Topics???

Again, I hope this finds you well. Let Paul and I know if you would like to get together.

Best regards,

Rich Gillman

From: Farleigh, Kevin S (BPA) - PSW-6

Sent: Tue Dec 22 14:25:08 2020

To: Thompson, Kim T (BPA) - PS-6

Cc: Olive, Kelly J (BPA) - PSS-6; Mohamoud, Farah A (BPA) - PSS-6

Subject: RE: January 7 PPC Meeting - Draft Slides for Provider of Choice update

Importance: Normal

Attachments: image001.jpg; image002.jpg; image003.jpg; image004.jpg; image005.jpg; image006.jpg; Draft Jan 2021 PPC\_Post-2028 slides\_ksf12\_22 ko.pptx; Initial Leanings\_Interests and deal\_12\_17\_20 clean.docx

Hi Kim,

Please find attached an updated PPC slide deck with a new slide 7 that talks about the scope of the initial leanings doc. This slide provides a high-level sense for the team's current thinking, but this continues to be an area of some consideration for us and one that we'll be looking to confirm and refine with the sponsors early next year. Thus we're not overly specific at this point.

Regarding Mike's 'critical path' topics, please see below (red font) for our thinking on how we're approaching these in the initial leanings doc.

And just for your reference (not ready for external discussion), we have also included the current DRAFT of the

initial leanings document.

Please let us know if you have additional thoughts, questions or requests on this. Happy holidays, and talk to you in the new year!

Kevin

503-230-4055

**From:** Thompson, Kim T (BPA) - PS-6 <ktthompson@bpa.gov>  
**Sent:** Monday, December 21, 2020 11:39 AM  
**To:** Farleigh, Kevin S (BPA) - PSW-6 <ksfarleigh@bpa.gov>  
**Cc:** Olive, Kelly J (BPA) - PSS-6 <kjmason@bpa.gov>; Mohamoud, Farah A (BPA) - PSS-6 <famohamoud@bpa.gov>  
**Subject:** RE: January 7 PPC Meeting - Draft Slides for Provider of Choice update

Hi – I just spoke with Mike at PPC. This note summarizes two topics for you.

PPC and Summary of Customer Engagement:

PPC intends to submit comments on the summary document we generated – but not until some time into the new year. He said they haven't had sufficient board engagement. He also stated that PPC doesn't have material concerns regarding that document.

January 7 Executive Committee:

Mike is hoping for about 40 minutes total – mostly focused on discussion / Q&A. The slides you've prepared are good content around which to have that discussion – but if you can provide some early glimpse into topics you are hoping to include in the initial leanings discussion aid, I would value that. It will get us one step past process and begin some content discussion.

I can also use the session to probe for content the Executive Committee would prioritize us including.

Here's what he requested for content:

- Update on process / timing
- How we are thinking of approaching next steps and getting to design
- Tie to broader BPA strategy

Mike gave a preview of a few topics he believes will be critical path (below). Let me know how you are thinking about these topics vis-à-vis the initial staff leaning document:

- Length of commitment / contract *[We expect the initial leanings document will suggest "long-term contracts", perhaps suggesting 20 years to as the conversation starter.]*
- Memorializing commitments to cost control (I take this to mean off-ramps if we cannot meet certain defined

cost limits) *[Pending internal sponsor review, the initial leanings document may suggest that “BPA is open to discussing potential off-ramp concepts, along with product change opportunities and other similar flexibilities”.]*

· Introducing resource flexibilities (he noted that some customers want to develop new resources or want options – so nailing down the parameters around this is critical) *[It’s not clear at this point the extent to which these conversations will be appropriate for pre-Concept Paper discussions. Higher level 5b9c discussions likely would. For example, the interest/principle of BPA being ‘neutral as to whether customers serve their above-RHWM with Tier 2 or non-Fed’ likely would be a foundational tenet, certainly ripe for inclusion. In addition, ensuring customers have a mechanism to allow for coming and going from BPA between contracts is likely ripe for discussion. However, more detailed discussions around notice timing and commitment periods may be preliminary at this point. Those may be a subsequent policy discussion item or even a topic for detailed contract negotiation. The initial leanings document does not currently address this explicitly.]*

· Interestingly, Mike felt that topics like LDD, IRD, and even transfer service would at the end of the day be far less material than the above. *[Not sure all the customers will agree with Mike’s assessment, but we generally agree these issues could be pushed off to future conversations. We could deal with those as a module or component of the broader deal, rather than a foundational tenet. The initial leanings document does not currently address this explicitly.]*

Kevin – I would like you to attend the 1/7 meeting if you are available. I would like you there to note and bring back the key policy topics and perspectives we hear (I’m never good at presenting and noting key points simultaneously).

Best Regards,

**Kim Thompson**

Northwest Requirements Marketing | Vice President

**Bonneville Power Administration**  
[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)

**From:** Thompson, Kim T (BPA) - PS-6  
**Sent:** Monday, December 21, 2020 8:16 AM  
**To:** Farleigh, Kevin S (BPA) - PSW-6 <[ksfarleigh@bpa.gov](mailto:ksfarleigh@bpa.gov)>  
**Cc:** Olive, Kelly J (BPA) - PSS-6 <[kjmason@bpa.gov](mailto:kjmason@bpa.gov)>; Mohamoud, Farah A (BPA) - PSS-6 <[famohamoud@bpa.gov](mailto:famohamoud@bpa.gov)>  
**Subject:** RE: January 7 PPC Meeting - Draft Slides for Provider of Choice update

Kevin, Kelly and Farah – Thanks for the slides – they look good and cover the basics that are appropriate at this time. Mike Deen called me Friday afternoon while I was out to discuss the Executive Committee meeting. I plan to call him back today – and will circle back if that conversation reveals anything additional we should cover.

One thing I am interested in adding, is a sense of content that the envisioned staff leanings for rough design – I've already fielded a specific question from NRU on whether we'll tip our hand regarding transfer service. I think it would be very helpful if my talking points included some examples of scope we plan to include – not the leanings themselves, but the array of topics.

Is that something you can work up?



Best Regards,

**Kim Thompson**

Northwest Requirements Marketing | Vice President

**Bonneville Power Administration**

[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)

**From:** Farleigh, Kevin S (BPA) - PSW-6 <[ksfarleigh@bpa.gov](mailto:ksfarleigh@bpa.gov)>

**Sent:** Wednesday, December 16, 2020 7:04 AM

**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>

**Cc:** Olive, Kelly J (BPA) - PSS-6 <[kjmason@bpa.gov](mailto:kjmason@bpa.gov)>; Mohamoud, Farah A (BPA) - PSS-6 <[famohamoud@bpa.gov](mailto:famohamoud@bpa.gov)>

**Subject:** January 7 PPC Meeting - Draft Slides for Provider of Choice update

Good morning Kim,

You are scheduled to present to the PPC Executive Committee on January 7. As you may recall, we approached PPC about this shortly after we released the Provider of Choice Engagement Summary doc. Our thinking at the time was to have you share highlights from the document. Unfortunately, they were not holding their normal meetings through the balance of 2020, but offered us this January slot instead.

So to that end, please find attached some draft slides covering the Provider of Choice material. We wanted to put this on your radar and provide you some material now so as to not be caught by surprise the first week of January after the holidays. It also occurs to us that you may want to take this opportunity to cover other topics as well (e.g. rates), but we wanted to get you some post-2028 material to work from as a start.

Please let us know if there's more we can help with on this. Thanks!

Kevin

503-230-4055

# Provider of Choice (Post-2028) Update

PPC  
January 7, 2021

PROVIDER OF CHOICE

— POST-2028 —

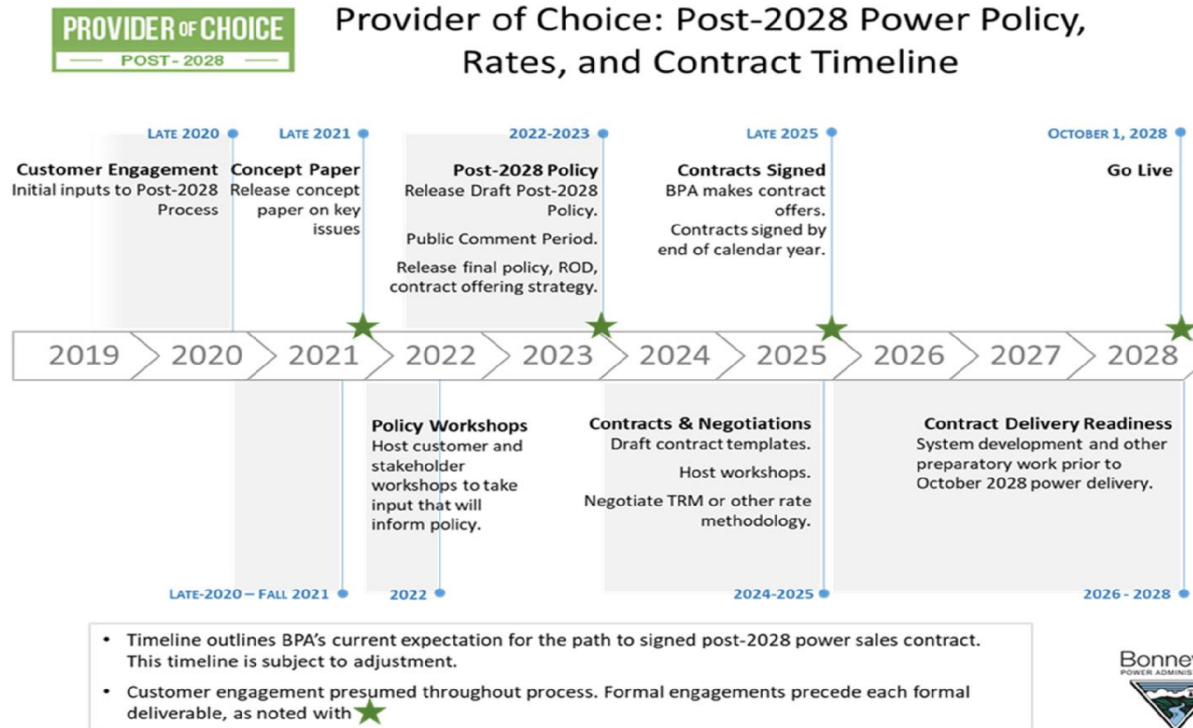


Marcus Elkenberry 2002

# Content

- Takeaways from 2020 customer engagement
- The plan for 2021—getting to the Concept Paper
- Tools and resources available to utilities

# Timeline



## 2020 Customer Engagement

- BPA formally kicked off its “Provider of Choice” (post-2028 contracts) initiative in late 2019.
- AE-led Customer-Centric Engagement: Initial phase of conversations served to identify elements of current contracts that are working well, identify elements that bear improvement, and gain insight into what customers value most in future contracts.
- Customer Engagement Summary paper shared in October 2020, with AEs looking to customers to test: Did we hear you correctly? Have any sentiments changed?



## Engagement Summary

- Feedback received since the October release of “Customer Engagement Summary” indicates customers’ general agreement with Summary’s key themes:
  - This is a time of great uncertainty in our industry and region.
  - Most of the foundational principles/interests of Regional Dialogue are still relevant.
  - Customers generally feel that the current contracts and rate structure are working well, but would like to see certain key adjustments.
  - Preservation of the current “clean” system mix and customers’ ability to comply with low carbon legislative requirements is critical.
  
- With affirmation of key themes, BPA will move forward into substantive 2021 conversations.



## The Plan for 2021

- In 2021 BPA will start the iterative process (internal and external) of building out the proposed framework for the Provider of Choice contracts and rates policy.
- In early spring 2021, BPA anticipates starting discussions around principles and some initial staff leanings on the foundational tenets of Provider of Choice.
- BPA is targeting late 2021 for the release of a Concept Paper.





# Initial Staff Leanings and 2021 Conversations

- BPA expects initial staff leanings and related conversations to cover:
  - Interests/goals for Provider of Choice service offerings
  - Service to public utilities
    - Contract term and extent of standardization
    - Rate structure
    - Core products, including any significant adjustments from Regional Dialogue
- Throughout 2021, BPA and customers to identify additional foundational topics for discussion. Such topics may touch on CHWM/RHWM determinations, application of non-federal resources, carbon, and others.

## How to Participate and Stay Informed

- AEs will continue to serve as a primary point of contact, continuing the customer-centric engagement with utilities.
- BPA also envisions working group meetings with preference customers and customer representatives, including PPC, to discuss the foundational tenets and other key topics to be addressed in the Concept Paper.

## Resources for Customers on Post-2028

- **BPA Account Executives:** Primary and constant resource for customers. Your conduit of information to and from BPA and can provide topic-specific refresher trainings.
- **Educational Materials:** BPA has developed a roster of Post-2028 Fact Sheets to help ensure customer leadership has reference materials on the products and services BPA currently provides.
- **Provider of Choice Website:**
  - The [website](#) houses all Provider of Choice materials and Regional Dialogue reference materials such as policy, RODs and related documents



## **Provider of Choice (Post-2028) – Path to a Concept Paper**

### **Initial staff leanings: Interests and Foundational Tenets**

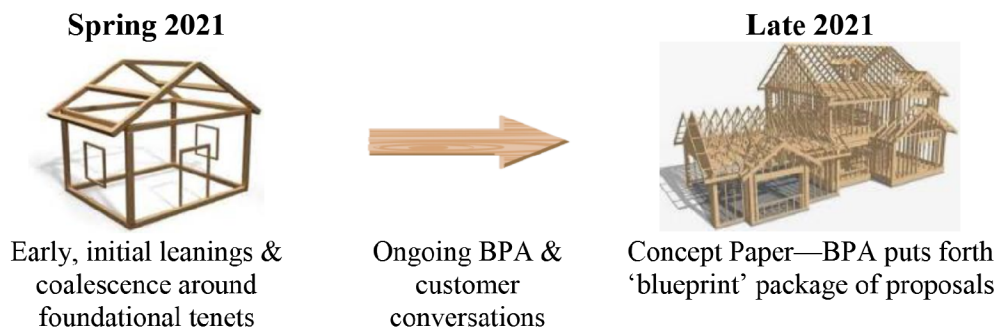
#### **Context**

BPA formally kicked off its “Provider of Choice” (post-2028 contracts) initiative in late 2019 with account executive-led customer conversations. The customer engagement period served to illuminate those elements of the Regional Dialogue contracts that are working well, understand what elements may warrant improvement, and gain insight into what our utility customers value most in future contracts.

In October 2020, BPA released a “Customer Engagement Summary” document that memorializes key findings from these conversations. Among others, those findings include:

1. this is a time of great uncertainty;
2. the Regional Dialogue principles are still relevant;
3. Regional Dialogue contracts and tiered rates work well, but may need adjustments; and,
4. preservation of BPA’s low-carbon system fuel mix to help meet low-carbon energy requirements is imperative.

This initial leanings proposal builds off numbers 2 and 3 above and serves as a conversation starter to kick off the next phase of discussions with customers around post-2028 contracts. During 2021, BPA is planning a collaborative process to construct the Provider of Choice policy framework, which will culminate in BPA’s release of the Provider of Choice Concept Paper in late 2021. BPA believes it prudent to have regional conversations to seek coalescence on certain fundamental and foundational tenets of the Provider of Choice contracts and rate structure.



#### **BPA’s Initial Staff Leanings**

Below, BPA staff offers its initial thinking related to: 1. the interests, or foundational principles, that will underscore the decision-making related to the Provider of Choice policy, contracts and rate structure; and 2. the foundational tenets of the Provider of Choice ‘deal’.

In addition to ongoing dialogue, BPA is particularly appreciative for all the feedback and thoughtful conversations with customers during the 2019/2020 customer engagement period. These initial leanings are a reflection of comments received during the engagement.

### Provider of Choice Interests

BPA heard customers' direct or indirect support for most of the Regional Dialogue interests, indicating to BPA that most, if not all, remain relevant and valid as we look ahead to post-2028. Therefore, BPA proposes that these interests, named below, carry forward as the starting point for the Provider of Choice interests. BPA anticipates further refinement, and perhaps additions or deletions to the list, as we progress toward not only the Concept Paper, but also the eventual policy and record of decision.

- **Lowest Tier 1 Costs and Tier 1 Rates**
  - BPA maintains a strategic emphasis on competitiveness and cost control, seeking lowest Tier 1 rates consistent with sound business principles and stewardship obligations.
- **Durability/Stability/Contract Enforceability**
  - Contracts and policies establish long-term rate stability, avoid unintended cost shifts, and promote widespread regional support.
- **Customer/Regional Support and Equity**
  - BPA's service offerings maximize the value of the existing federal system for preference customers and ensure an equivalent value proposition between different products.
- **Certainty of Obligations for All Parties**
  - BPA contracts and policies clarify BPA and customer obligations around the development of infrastructure needed to reliably sustain the Northwest economy and avoid price volatility.
- **Promote Infrastructure Development Consistent with the Northwest Power Act**
  - Contracts and policies afford BPA and customers the flexibility to prudently invest in and apply resources necessary to ensure an adequate regional power supply.
- **Consistency with BPA Stewardship Obligations**
  - BPA maintains its strong legacy in meeting stewardship obligations in support of fish and wildlife, cost-effective conservation, and renewable/low-carbon resources.
- **Legality**
  - Contracts and policies are structured consistent with BPA's statutory obligations.
- **Simplicity**
  - While the concept of simplicity is subjective, customers and BPA support the objective of simplicity and are eager to identify opportunities to streamline and simplify contracts and rates when possible.
- **Advancement of National Objectives**
  - This serves as a reminder that BPA's policy and power sales contracts are key to meeting larger national goals and initiatives, including BPA's full and timely repayment of obligations to the U.S. Treasury.

BPA seeks early customer engagement and discussion on these proposed interests, as it is important to establish these as the guiding principles and high-level criteria against which BPA and the region will consider BPA's post-2028 business decisions.

### Foundational Tenets

Based on feedback from its customers, as well as feedback from internal BPA staff, BPA proposes that the Regional Dialogue policy and contracts, and the Tiered Rate Methodology and tiered rate structure, serve as the *starting point*, or baseline, for conversations moving forward.

More specifically, BPA proposes the following:

- **Standardized contracts offered with 20-year contract term.**
  - Standardized contracts ensure transparency and afford customers access to the same products and services available to similarly situated customers.
  - Customers indicated they would be interested in further exploration of off-ramps. BPA is open to discussing potential off-ramp concepts, along with product change opportunities and other similar flexibilities.
- **Provider of Choice product offerings of Load Following, Block, and Slice/Block.**
  - BPA anticipates various adjustments to all three products that will be discussed and negotiated in the coming years.
  - Dovetailing with the proposed interest above, *Customer/Regional Support and Equity*, BPA reiterates the concept here and proposes engineering its policy and contracts to perpetuate the current concepts of equitability and equivalent value proposition among these three product offerings.
- **Continue to utilize a tiered rate structure and the TRM.**
  - Again, BPA anticipates that customers and staff will propose adjustments, and BPA is open to discussing changes.

BPA seeks early customer engagement and discussion on these proposed foundational tenets, as it would be difficult to move forward with other policy conversations in 2021 without general agreement on the basic framework.

### **2021 Engagement Plan and Looking Ahead to the Concept Paper**

#### Teeing Up Issues and Opportunities to Engage

Over calendar year 2021, BPA will continue to analyze its internal positions on various issues based on feedback collected and will continue to collect from customers. BPA is also planning routine customer engagement sessions on certain policy considerations for which BPA would like further, inclusive conversations prior to putting out a proposal in the Concept Paper.

The goal of initial 2021 conversations will be to come to general agreement on the leanings BPA has introduced above: the interests and the foundational tenets. From there, BPA will tee up a handful of topics for which BPA heard widespread interest for adjustment relative to today's contracts and/or rate treatment, or for which BPA heard a variance of opinion. BPA is of course open to additional discussion areas that are identified as we progress through this early stage of policy discussions.

Below are some of the additional issues or questions BPA may consider bringing to customers for further discussion in 2021:

- How should CHWMs be set (assuming there's agreement to move forward with tiered rates structure)? RHWMs?
- What is the nature of product adjustments to be considered?
- How should BPA approach the question of offering a carbon-free product?

BPA has been invited to utilize the NRU/PPC contracts and rates working team as a venue to engage with customers on these and other issues, as needed. Customer utilities that are not members of either organization are welcome and invited to attend and actively participate in such working session meetings. Also, BPA's power account executives remain a constant and primary avenue for customers to engage directly with BPA.

#### Concept Paper

BPA is planning to release its Concept Paper in late 2021. The Concept Paper is envisioned to be a set of high-level policy proposals that will form a conceptual framework for the subsequent policies, rates, and contracts discussions applicable to BPA's post-2028 requirements service. The proposals will be based on internal BPA and external customer conversations and feedback collected.

BPA currently expects the Concept Paper may address:

- Interests/goals for post-2028 service offerings
- Service to public utilities
  - Rate structure and proposed approach to CHWM and RHWWM calculations (as applicable)
  - Products and any major adjustments from Regional Dialogue
  - Other considerations (e.g. Transfer, Low Density Discount, Irrigation Rate Discount, New Large Single Load policies, new publics, and others)
- Renewable resources, renewable energy certificates and approach to carbon
- Conservation
- Resource adequacy
- Residential Exchange Program

At this time, BPA envisions a Concept Paper that will be relatively narrow in scope to address the proposed leanings that deviate from current policies. Whether the document remains narrow in scope, or more expansive, will depend on how the post-2028 conversations evolve and how significantly the Provider of Choice policy leanings outlined in the Concept Paper either closely mirror or deviate from today's Regional Dialogue contracts and the TRM.

**From:** [Schwendiman, Celeste M \(BPA\) - PSE-BOISE](#)  
**To:** [Amber Whitaker](#); [Ashlee Langlev](#); [Billy Palmer](#); [Bo Betzer](#); [Brent Wallin](#); [Cindy Hruza](#) ; [David Tate](#); [Enoch Dahl](#); [Kay Buerkle](#); [Mark Mitton](#); [Mary Yeaman](#); [Michael Campbell](#); [Mike Cromie](#); [Soda Springs](#); [Tony Morley](#); [Will Hart](#); [Alan Skinner](#); [Brad Gamett](#); [Chad Surrage](#); [Clay Fitch](#); [Clint Heward](#); [Gary Buerkle](#); [Greer Copeland](#); [Jared Teeter](#); [Jim Bowers](#); [Jim Webb](#); [Kelly Anthon](#); [Ken Dizes](#); [ken@srec.org](#); [Mayor Austin Robinson](#) ; [Mayor Isaac Loveland](#); [Mayor Jay Darrington](#); [Mayor Jim Cook](#); [Mayor Steve Ormond](#); [randy.hibberd@cityofweiser.net](#); [Mark Rosa](#); [Rick Knori](#); [Jamie Stark](#); [Trevor Parke](#); [Chris Seibold \(cseibold@uec.coop\)](#)  
**Cc:** [Hardin, Craig A \(TFE\)\(BPA\) - TSE-TPP-2](#); [Evans, Mary Beth \(BPA\) - PEJB-MEAD-GOB](#)  
**Subject:** BPA publishes summary from post-2028 discussions with customers  
**Date:** Thursday, October 8, 2020 2:06:00 PM

---

Dear Customers,

I wanted to thank you for all the sincere and thoughtful discussions we've had over the last year on BPA's Provider of Choice/contract post-2028 effort. Today, we're publishing a summary of what our customers shared with us. Below, please find more information about where to find the summary as well as news about the Final 2020 Modified Streamflow study. If you have questions or would like additional information, please don't hesitate to reach out. –Celeste (208) 670-7406

#### [BPA has published the Provider of Choice Engagement Summary](#)

In 2016, BPA began talking with preference customers to learn about their needs and interests for post-2028 service. In 2019, BPA initiated a second round of discussions with customers and memorialized these findings in the Provider of Choice Engagement Summary that was just published. In 2021, BPA plans to start collaboratively formulating a policy framework to set the foundation for post-2028 Provider of Choice contracts and rates. This work will culminate in BPA's release of a concept paper, planned for late 2021

Link: <https://www.bpa.gov/providerofchoice/Pages/provider-of-choice.aspx>

#### [Final 2020 Modified Streamflows Available](#)

Every ten years BPA and its regional partners undertake a process to analyze and update Columbia River System modified flows. The research is based on hydropower regulation studies from 76 sites in the Columbia and Snake River basins. The most recent round of studies, concluded in October, will be used for the next decade to help BPA and other regional hydropower producers support system reliability, operations and resource planning and guide the rate making process.

The modified streamflow data and supporting reports are available on [bpa.gov](#).

Celeste Schwendiman, Power Account Executive  
Bonneville Power Administration – PSE-Boise  
950 W Bannock Street, Suite 805, Boise, ID 83702





**From:** [Schwendiman, Celeste M \(BPA\) - PSE-BOISE](#)  
**To:** [Jamie Stark](#)  
**Subject:** FW: BPA publishes summary from post-2028 discussions with customers  
**Date:** Tuesday, October 27, 2020 1:00:00 PM

---

**From:** Schwendiman, Celeste M (BPA) - PSE-BOISE  
**Sent:** Thursday, October 8, 2020 2:06 PM

**Subject:** BPA publishes summary from post-2028 discussions with customers

Dear Customers,

I wanted to thank you for all the sincere and thoughtful discussions we've had over the last year on BPA's Provider of Choice/contract post-2028 effort. Today, we're publishing a summary of what our customers shared with us. Below, please find more information about where to find the summary as well as news about the Final 2020 Modified Streamflow study. If you have questions or would like additional information, please don't hesitate to reach out. –Celeste (208) 670-7406

[BPA has published the Provider of Choice Engagement Summary](#)

In 2016, BPA began talking with preference customers to learn about their needs and interests for post-2028 service. In 2019, BPA initiated a second round of discussions with customers and memorialized these findings in the Provider of Choice Engagement Summary that was just published. In 2021, BPA plans to start collaboratively formulating a policy framework to set the foundation for post-2028 Provider of Choice contracts and rates. This work will culminate in BPA's release of a concept paper, planned for late 2021

Link: <https://www.bpa.gov/providerofchoice/Pages/provider-of-choice.aspx>

[Final 2020 Modified Streamflows Available](#)

Every ten years BPA and its regional partners undertake a process to analyze and update Columbia River System modified flows. The research is based on hydropower regulation studies from 76 sites in the Columbia and Snake River basins. The most recent round of studies, concluded in October, will be used for the next decade to help BPA and other regional hydropower producers support system reliability, operations and resource planning and guide the rate making process.

The modified streamflow data and supporting reports are available on [bpa.gov](http://bpa.gov).

Celeste Schwendiman, Power Account Executive

Bonneville Power Administration – PSE-Boise  
950 W Bannock Street, Suite 805, Boise, ID 83702

From: Megan Stratman

Sent: Thu Dec 31 13:29:34 2020

To: Thompson, Kim T (BPA) - PS-6

Cc: Schimmels, Nancy M (BPA) - PSE-MEAD-GOB; Farleigh, Kevin S (BPA) - PSW-6; John Francisco; Blake Weathers; Zaby Towner

Subject: [EXTERNAL] NRU's comments in response to BPA's "Provider of Choice" summary document

Importance: Normal

Attachments: NRU comments\_Provider of Choice summary\_12-31-20.pdf

Hello, Kim,

Attached are NRU's comments in response to the "Provider of Choice" summary document BPA released in October.

We look forward to continuing these conversations with you and your team in the new year.

In the meantime, hope you have a safe and enjoyable long weekend!

Best,

Megan Stratman

Rates and Policy Director

Northwest Requirements Utilities

[mstratman@nru-nw.com](mailto:mstratman@nru-nw.com)

C: (b)(6)

From: Normandeau, Mike (BPA) - PSE-RONAN

Sent: Mon Jan 04 11:59:23 2021

To: Thompson, Kim T (BPA) - PS-6; Schimmels, Nancy M (BPA) - PSE-MEAD-GOB; Farleigh, Kevin S (BPA) - PSW-6; Wilson, Scott K (BPA) - PSW-6; Fisher, Daniel H (BPA) - PSR-6

Subject: FW: [EXTERNAL] WMGT Provider of Choice Comment Letter

Importance: High

Attachments: BPA Comment Post 2028 Contracts 12-31-20.pdf

Good Afternoon and Happy New Year.

Joe Lucas has sent to me comments in response to the Provider of Choice summary. Please see the attached letter. He opted to send it to Kim rather than to me. I'd be happy to pen a response letter thanking him for the feedback and our desire to engage customers on these issues in upcoming post-2028 discussions.

Kevin- could you please pass this along to the Post-2028 team members.

Thanks.

Mike

**From:** Joe Lukas <jlukas@3rivers.net>

**Sent:** Thursday, December 31, 2020 9:35 AM

**To:** Normandeau, Mike (BPA) - PSE-RONAN <mrnormandeau@bpa.gov>

**Subject:** [EXTERNAL] WMGT Provider of Choice Comment Letter

**Importance:** High

Mike, attached is the signed WMGT Comment Letter on the Provider of Choice summary document. Please

forward this on to Kim and others within BPA that are compiling comments and feedback on the Provider of Choice 2028 Contract work.

Happy New Year!! JOE

Joe Lukas  
General Manager  
Western Montana G&T  
(b)(6) (cell)  
406-417-3238 (office)

**WESTERN MONTANA ELECTRIC  
GENERATING & TRANSMISSION COOPERATIVE, INC.**  
4220 Timberlake Dr, Helena, MT 59602

December 31, 2020

Bonneville Power Administration  
Kim Thompson, VP of Requirements Marketing  
P.O. Box 3621  
Portland, OR 97293-3621

Re: Provider of Choice Post-2028 Contract Comments

Dear Kim:

Western Montana G&T (WMGT) appreciates the work that the BPA Account Executives have done to gather customer feedback on this critically important issue. WMGT's membership includes Flathead Electric Cooperative, Glacier Electric Cooperative, Lincoln Electric Cooperative, Mission Valley Power, Missoula Electric Cooperative, Ravalli Electric Cooperative, and Vigilante Electric Cooperative which are all preference customers of BPA and serve over 130,000 members and customers in Western Montana.

We share many of the concerns and sentiments identified in the Provider of Choice summary document and want to respond to the questions posed in this document while emphasizing issues of high importance to us. In particular we reiterate that as load-following customers we place high value on the certainty, reliability and ease of operations provided by our BPA power supply contracts.

While we generally agree that the current Tiered-Rates Contracts are working for our customers, we believe there are critical issues to be addressed during development of post-2028 contracts. Development of post-2028 contracts should address some important short-comings of the current approach:

- 1) The capability of the Federal Columbia River Power System should be defined in a manner that does not result in the systematic and regular reduction of firm system output as has been experienced under the current contracts. This serves to create additional uncertainty and artificial scarcity of Tier 1 product.
- 2) The allocation of the Federal Columbia River Power System to Preference Customers should be based on a clearly defined equitable system that also considers the high probability that the FCRPS produces power well in excess of critical output on a regular basis.

The Provider of Choice summary also highlights other key issues that we wish to bring to your attention. Efforts to assist compliance associated with low-carbon legislative requirements in other states should not negatively affect or create unnecessary contract or product complexity for Montana customers. We also want to state strong support for the principle that Transfer Service Customers be treated in an equitable manner as compared to directly connected customers. In addition it is critical that Irrigation rate mitigation and the Low Density Discount be retained as essential components of any power product and corresponding rate design. The rural nature and unique attributes of our Montana utilities make these very important issues for our members.



We appreciate BPA's request for customers and others to assist in the consideration of the additional questions posed in the Provider of Choice summary paper and while these issues require in-depth consideration from a broad array of customers, we would offer the following preliminary responses:

Q1) Is it correct that customers want to maintain today's basic product mix and tiered rate design?

Response: While in general the current contract is working for customers, it may be appropriate to think about this question in a different manner. We encourage a baseline analysis that compares total preference load eligible (or desired) to be placed onto BPA with the capabilities of the FCRPS beyond just a historical determination of firm system capability. For example, the question could be: what is the probability of meeting the net requirements of Preference Customers with the FCRPS as currently configured and operated? This analysis could help guide development of product mix and rate design.

Q2) Should BPA consider changing the methodology of CHWM determinations? RHW process?

Response: As described above, BPA should begin with a comparison of the needs of Preference Customers rather than simply continuing with a system that creates artificial scarcity when the FCRPS has production capabilities well in excess of currently defined Tier 1 output.

Q3) How should BPA manage implications for the carbon content of the federal system, either good or bad, if BPA needs to augment the system?

Response: We are very concerned that a focus on compliance with the carbon regulations of other states could result in negative impacts to Montana customers. Reduction of the carbon content of the federal system should not result in cost increases or availability reductions to customers not specifically seeking reduced or carbon-free generation.

Q4) If a resource adequacy standard is enacted, what role should BPA's products serve? How should BPA's product mix respond to the customers' need for additional capacity to meet peak loads?

Response: Development of a resource adequacy standard is a region or west-wide issue with implications well beyond consideration of BPA product design. Load-following customers would expect that BPA would continue to provide a load-following product that meets the resource adequacy needs of customers desiring the full requirements attributes of this product design. Additional capacity from the FCRPS could be made available to others at market-based rates only after any capacity needs of Preference Customers are met or have been offered a cost-based FCRPS capacity offering.

Thank you for the opportunity to provide feedback on post-2028 contract development. Western MT G&T stands ready to engage and assist BPA in this most important effort.

Sincerely,



Joe Lukas  
General Manager

From: Farleigh, Kevin S (BPA) - PSW-6

Sent: Mon Jan 04 13:17:02 2021

To: Thompson, Kim T (BPA) - PS-6

Subject: RE: NRU's comments in response to BPA's "Provider of Choice" summary document

Importance: Normal

Attachments: image001.jpg; image002.jpg; image003.jpg; image004.jpg; image005.jpg; image006.jpg

Will do. Thanks Kim!

**From:** Thompson, Kim T (BPA) - PS-6 <ktthompson@bpa.gov>

**Sent:** Monday, January 4, 2021 12:17 PM

**To:** Farleigh, Kevin S (BPA) - PSW-6 <ksfarleigh@bpa.gov>

**Subject:** FW: NRU's comments in response to BPA's "Provider of Choice" summary document

Hi Kevin – when you pass along the WMGT letter, could you also please share this NRU letter? I'm thinking the manager sponsors as well as the Joel and Tom (governance committee).

Thanks!

Best Regards,

**Kim Thompson**

Northwest Requirements Marketing | Vice President

**Bonneville Power Administration**

[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)

**From:** Megan Stratman <[mstratman@nru-nw.com](mailto:mstratman@nru-nw.com)>

**Sent:** Thursday, December 31, 2020 1:30 PM

**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>

**Cc:** Schimmels, Nancy M (BPA) - PSE-MEAD-GOB <[nmschimmels@bpa.gov](mailto:nmschimmels@bpa.gov)>; Farleigh, Kevin S (BPA) - PSW-6 <[ksfarleigh@bpa.gov](mailto:ksfarleigh@bpa.gov)>; John Francisco <[jfrancisco@nru-nw.com](mailto:jfrancisco@nru-nw.com)>; Blake Weathers <[bweathers@nru-nw.com](mailto:bweathers@nru-nw.com)>; Zabyn Towner <[ztowner@nru-nw.com](mailto:ztowner@nru-nw.com)>

**Subject:** [EXTERNAL] NRU's comments in response to BPA's "Provider of Choice" summary document

Hello, Kim,

Attached are NRU's comments in response to the "Provider of Choice" summary document BPA released in October.

We look forward to continuing these conversations with you and your team in the new year.

In the meantime, hope you have a safe and enjoyable long weekend!

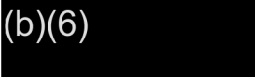
Best,

Megan Stratman

Rates and Policy Director

Northwest Requirements Utilities

[mstratman@nru-nw.com](mailto:mstratman@nru-nw.com)

C(b)(6) 

**From:** Farleigh, Kevin S (BPA) - PSW-6

**Sent:** Mon Jan 04 14:59:37 2021

**To:** Thompson, Kim T (BPA) - PS-6; McDonald, Thomas A (BPA) - C-7; Cook, Joel D (BPA) - P-6; Olive, Kelly J (BPA) - PSS-6; Mohamoud, Farah A (BPA) - PSS-6; Schimmels, Nancy M (BPA) - PSE-MEAD-GOB; Fisher, Daniel H (BPA) - PSR-6; Alders, Kyna L (BPA) - PG-5; Garrett, Paul D (BPA) - PSS-6; Thompson, Kim T (BPA) - PS-6; Mantifel, Russell (BPA) - PGL-5; Wilson, Scott K (BPA) - PSW-6; Johnson, G Douglas (BPA) - DK-7; Goodwin, Summer G (BPA) - DKC-7; Walker, Danielle N (BPA) - PEH-6; Bodine-Watts, Mary C (BPA) - LP-7; Doot, Erika A (BPA) - LP-7; Johnson, Tim A (BPA) - LP-7; Cogswell, Peter (BPA) - DI-7; Manary, Karlee D (BPA) - FAB-6; Mohan, Usha V (BPA) - ECP-4; Mazaika, Rosemary (BPA) - ECP-4; Sims, Jamie T (BPA) - KSC-4; Normandeau, Mike (BPA) - PSE-ROANAN

**Subject:** NRU and WMGT comments in response to BPA's "Provider of Choice" engagement summary

**Importance:** Normal

**Attachments:** NRU comments\_Provider of Choice summary\_12-31-20.pdf; BPA Comment Post 2028 Contracts 12-31-20.pdf

Greetings all, and happy new year!

FYI, please find attached separate comment letters provided by NRU and WMGT offered in response to BPA's Provider of Choice engagement summary. Overall both entities acknowledge that the summary document generally captures the sentiments of their members, though in both letters they highlight specific issues of importance and express interest in looking at alternatives to using critical water for establishing Tier 1 amounts.

We understand PPC is also planning to submit comments on the engagement summary, but PPC needs some additional time and engagement with their Board members first.

Thanks, as always.

Kevin

503-230-4055

**From:** Megan Stratman <[mstratman@nru-nw.com](mailto:mstratman@nru-nw.com)>

**Sent:** Thursday, December 31, 2020 1:30 PM

**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>

**Cc:** Schimmels, Nancy M (BPA) - PSE-MEAD-GOB <[nmschimmels@bpa.gov](mailto:nmschimmels@bpa.gov)>; Farleigh, Kevin S (BPA) - PSW-6 <[ksfarleigh@bpa.gov](mailto:ksfarleigh@bpa.gov)>; John Francisco <[jfrancisco@nru-nw.com](mailto:jfrancisco@nru-nw.com)>; Blake Weathers <[bweathers@nru-nw.com](mailto:bweathers@nru-nw.com)>; Zabyn Towner <[ztowner@nru-nw.com](mailto:ztowner@nru-nw.com)>

**Subject:** [EXTERNAL] NRU's comments in response to BPA's "Provider of Choice" summary document

Hello, Kim,

Attached are NRU's comments in response to the "Provider of Choice" summary document BPA released in October.

We look forward to continuing these conversations with you and your team in the new year.

In the meantime, hope you have a safe and enjoyable long weekend!

Best,

Megan Stratman

Rates and Policy Director

Northwest Requirements Utilities

[mstratman@nru-nw.com](mailto:mstratman@nru-nw.com)

C: (b)(6)



Northwest Requirements Utilities

---

(503) 233-5823  
Fax (503) 233-3076  
www.nru-nw.com  
825 NE Multnomah, Suite 1135  
Portland, Oregon 97232

December 31, 2020

Kim Thompson  
Vice President, Northwest Requirements Marketing  
Bonneville Power Administration

*Submitted electronically*

**Re: Comments on BPA’s “Provider of Choice Customer Engagement During 2020”  
Summary Document**

Dear Kim:

Northwest Requirements Utilities (“NRU”) submits these comments in response to BPA’s “Provider of Choice Customer Engagement During 2020” summary document (“summary document”) published in October 2020. NRU represents the interests of 55 Load Following and NT customers that account for over 29% of BPA’s Tier 1 load. NRU and its members value the productive business relationship they have had with BPA for decades. In many cases, the creation of BPA and its mission to electrify rural areas led to the very formation of NRU member utilities. The statutory directive of the Bonneville Project Act to “give preference and priority in the use of electric energy to public bodies and cooperatives” remains as relevant today as it did when President Roosevelt signed it into law in 1937.

There is an inherent interconnectedness between BPA and its Load Following customers that must be maintained and strengthened as we develop the post-2028 construct. We look to develop a construct that is mutually beneficial to BPA and its customers; this will require diligent engagement with customers on BPA’s financial health, asset management and provision of affordable and reliable power and transmission, in addition to conversations about contract and rate design. To aid these conversations, NRU adopted principles earlier this year to guide initial post-2028 contract discussions, which are attached.



BPA’s summary document generally captures the sentiments of NRU members, with the clarifications and additions offered below. Our comments follow the order in the summary document and are in no order of importance.

### **Resource Adequacy and Infrastructure Development**

Several times in the summary document, BPA uses the broad terms “resource adequacy” and “infrastructure development.” While NRU agrees these are important issues for the region to tackle, we must be deliberate in considering how BPA itself is involved in these issues.

On page 6, BPA states that “[c]ustomers inquired about BPA’s ability or plans to add baseload generating resources.” Any such BPA acquisitions allocated to a Tier 1-type cost pool would be a fundamental departure from the construct carefully developed under Regional Dialogue (“RD”). As the July 2007 RD Policy states, the cornerstone of RD is “to limit BPA’s sales of firm power at the lowest cost-based rates to approximately the firm capability of the existing Federal system.”<sup>1</sup>

The RD Policy was designed to provide certainty about how much power a utility can purchase from BPA over time at the lowest Firm Power rates (i.e., the Tier 1 rate), thus allowing utilities to “move forward with plans to meet their additional or new load by developing their own resources” or purchasing Tier 2 power from BPA.<sup>2</sup> The RD Policy envisioned enabling *utilities* with the opportunity to undertake resource acquisitions and ensure adequate infrastructure development.

While NRU welcomes discussion about BPA’s role in resource adequacy and infrastructure development, we need to be clear whether that conversation will remain within the existing RD construct or if we are altering the paradigm.

There are areas within the existing RD construct where BPA can support the goal of resource adequacy without acquiring new resources itself. Examples include using a less conservative water year to define “firm” power and simplifying the integration and use of non-federal resources by customers.

BPA’s role in “promoting infrastructure development” should focus on appropriate levels of investment in the federal hydro system and transmission facilities to reliably deliver affordable power to customers and establishing policies that make it easier for

---

<sup>1</sup> Bonneville Power Administration Long-Term Regional Dialogue Final Policy, July 2007 at 8.

<sup>2</sup> *Id.* at 6.

preference customers to integrate non-federal resources without undue cost shifts to other customers.

### Transmission

The Power and Transmission business lines need to work together throughout the post-2028 discussions. This was absent during the development of the RD contracts, resulting in numerous challenges when implementing the RD contracts. With significant customer advocacy, many transmission issues have been addressed since 2008, but it is imperative we do not repeat the mistakes of the past.

### Uncertainty

NRU adds the following “uncertainties” to those listed in the summary document:

- Aging infrastructure (federal hydro and transmission assets) and BPA’s ability to affordably and timely execute needed capital projects.
- BPA’s ability to develop and implement a long-term financial strategy that ensures both business lines equitably and affordably support the agency’s financial health.

### Load Following Product

Generally, NRU agrees with the key observations regarding the Load Following product, with particular emphasis on these:

- Ease restrictive timelines for setting Above Rate Period High Water Mark Load amounts and non-federal resource declarations.
- Increase flexibility when adding/removing non-federal resources.
- Raise the threshold (200 kW) that defines “small resources.”

The post-2028 contract should coordinate notice and decision deadlines to better align with customer timelines, such as internal budget-setting or state requirements (e.g., utilities in Washington have resource planning and reporting requirements that are informed by the amount and type of power purchased from BPA).

NRU emphasizes the need for Transmission to stay involved in the post-2028 process and to evolve its business practices as necessary to ensure the post-2028 construct works efficiently from a transmission perspective. Here are some examples of topics for discussion:

- Interconnection and integration policies for renewable resources that include battery storage.

- Treatment of small, distributed energy resources.
- Alignment on policies regarding access to energy markets and market hubs.

### Slice/Block and/or Block-only Products

Any changes to the Slice/Block and/or Block-only products need to be consistent with the principle of “equity” between customer classes and avoid shifting costs or risks between customer classes.

### Potential Adjustments to TRM Rate Structure, etc.

To the extent a structure similar to RD (i.e., system allocation) continues post-2028, NRU agrees there are opportunities to improve the current construct. While not exhaustive, the examples listed in the summary document are useful. *NRU notes that using a construct similar to RD (i.e., system allocation) still allows for changes to fairly fundamental paradigms, such as how “firm” power is defined or how non-federal resources are integrated into a utility’s resource stack.*

### Length of Contracts

NRU supports efforts to achieve certainty and flexibility under longer term contracts. Longer term contracts will be more appealing if they include meaningful customer control over BPA costs and rate design, as well as ways for customers to modify their BPA purchase and non-federal resource amounts over time while minimizing cost shifts to other customers.

### Carbon

BPA’s low carbon fuel mix can provide great value to its preference customers, especially if power from BPA remains affordable and reliable. NRU is encouraged by BPA’s willingness to explore “creative solutions” to address its statutory interpretation regarding its “single system fuel mix.” This is a complex topic and sufficient time needs to be provided to develop solutions. NRU would like to explore creation of a 100% carbon-free Load Following product (or one that minimizes carbon emissions). Such products may have specific rates to avoid cost shifts to other customers not electing such products.

### **Transfer Service, Low Density Discount and Irrigation Rate Mitigation Product**

Being of high importance to NRU members, these topics are explicitly addressed in our principles:

- BPA must provide equivalent treatment to both directly-connected preference customers and preference customers served by transfer.
- Irrigation rate mitigation and the Low Density Discount must be retained as essential components of any power product and corresponding rate design.

### **Energy Efficiency**

The summary document focused on specific attributes of the existing EE program and areas for change. NRU believes BPA and customers need to first explore the broader question of, “How should the acquisition of energy efficiency work in the post-2028 construct?” When the RD construct was developed, little time was spent on determining how EE fit. Multiple public processes have subsequently been necessary to shoehorn BPA’s EE program into a tiered rate construct.

This time around, BPA and customers need to tackle the broader question of how EE fits into the post-2028 construct as it is being developed. This will ensure EE can efficiently be used as a low cost, carbon-free resource integrated into the post-2028 resource stack, as opposed to being an afterthought.

### **Serving New Large Single Loads (NLSL)**

At the request of NRU and other customer representatives, BPA staff engaged with us earlier this year to explore potential options to make it easier for Load Following customers to cost-effectively serve NLSLs. These conversations were productive in stimulating conversation and identifying limitations within the current construct but ultimately, we were unable to develop a proposal that balances the desire for a competitively priced NLSL product without unduly shifting costs and risks to other Tier 1 customers within the *current* contract structure. We did, however, identify opportunities to craft a *new structure* in the post-2028 contracts that could allow Load Following customers to cost effectively serve NLSLs.

This topic was not included in the summary document, but it remains a high priority to NRU members as they consider post-2028 power supply options. NLSLs represent an opportunity for local economic growth. BPA and customers need to consider options that make it easier and more cost effective for Load Following customers to serve NLSLs under the post-2028 construct.

**Customer Engagement in Cost Control, Affordability and Reliability, Rate Design, Financial Health, Asset Management, Policy Decisions, Etc.**

BPA and its customers have, and must continue to have, a unique and close business relationship because most decisions made by the agency have a direct impact on customers. BPA has a variety of processes to seek and incorporate customer guidance in making decisions, ranging from statutorily-directed proceedings to informal engagement. Over the years, we have learned time and time again the importance for BPA to engage with its customers early and often on any issue that may impact them, directly or indirectly. We again stress the importance for BPA to actively seek and incorporate customer guidance in its decision-making, as any decision made by the agency will ultimately impact its customers in some way.

**2021 Process and Next Steps**

The summary document states that BPA will begin the iterative process of working with customers in calendar year 2021 to align around the “high-level Provider of Choice contract principles, rate structure, products, and policy direction,” with a Concept Paper released in late-2021. This represents a significant milestone for BPA and its customers.

The agency and its customers have an enormous amount of work to do to position BPA to truly become the post-2028 “provider of choice” that it commits to becoming. NRU is committed to working closely with BPA and other customers to develop post-2028 products that address customers’ and BPA’s needs, are responsive to an everchanging world, and maintain equity among customer classes.

We look forward to future conversations with you and your team.

Sincerely,



Megan Stratman  
Rates and Policy Director

CC: Nancy Schimmels  
Kevin Farleigh

## **NRU's Principles to Guide Initial Post-2028 BPA Contract Discussions**

*These principles are presented as a package and, as such, are in no particular order.*

- BPA must maximize the value of the federal system for the benefit of its preference customers.
- It is essential for BPA to control costs while delivering safe and reliable power to preference customers.
- The post-2028 contract and rate structure must allow preference customers to be responsive to changes in market conditions, regulatory conditions and the needs of end-users. This includes the ability to easily and cost-effectively use non-federal resources, including distributed energy resources.
- The power products, contract structure and duration, and rate designs must balance the needs for stability, certainty, flexibility and optionality for preference customers.
- Power products must include the allocation of environmental attributes of the federal system to preference customers.
- BPA must provide equivalent treatment to both directly-connected preference customers and preference customers served by transfer.
- Irrigation rate mitigation and the Low Density Discount must be retained as essential components of any power product and corresponding rate design.
- Any rate shock resulting from a shift to a new contract or rate structure must be avoided or mitigated.

**From:** Thompson, Kim T (BPA) - PS-6

**Sent:** Tue Jan 05 15:24:15 2021

**To:** Farleigh, Kevin S (BPA) - PSW-6

**Cc:** Olive, Kelly J (BPA) - PSS-6; Mohamoud, Farah A (BPA) - PSS-6

**Subject:** RE: January 7 PPC Meeting - Draft Slides for Provider of Choice update

**Importance:** Normal

**Attachments:** image001.jpg; image002.jpg; image003.jpg; image004.jpg; image005.jpg; image006.jpg; 2021\_01\_07 Exec Committee Presentation.pptx

Hi Kevin, Kelly and Farah – Thank you for the additional slide and the preview of the initial leanings. Reading that was good prep for me – as was re-reading the summary report. The letters we received from NRU and WMG&T are timely reflections I can also reference on Thursday.

I have spent some time with the slides you all crafted and made some stylistic adjustments - attached (migrated to a current branded template, used the timeline as a visual anchor for the more process-oriented slides).

I am about to relay these to PPC so they can prep for Thursday's session. I plan to send them a PDF version.

Best Regards,

**Kim Thompson**

Northwest Requirements Marketing | Vice President

**Bonneville Power Administration**

[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)

**From:** Farleigh, Kevin S (BPA) - PSW-6 <ksfarleigh@bpa.gov>

**Sent:** Tuesday, December 22, 2020 2:25 PM

**To:** Thompson, Kim T (BPA) - PS-6 <ktthompson@bpa.gov>

**Cc:** Olive, Kelly J (BPA) - PSS-6 <kjmason@bpa.gov>; Mohamoud, Farah A (BPA) - PSS-6 <famohamoud@bpa.gov>

**Subject:** RE: January 7 PPC Meeting - Draft Slides for Provider of Choice update

Hi Kim,

Please find attached an updated PPC slide deck with a new slide 7 that talks about the scope of the initial leanings doc. This slide provides a high-level sense for the team's current thinking, but this continues to be an area of some consideration for us and one that we'll be looking to confirm and refine with the sponsors early next year. Thus we're not overly specific at this point.

Regarding Mike's 'critical path' topics, please see below (red font) for our thinking on how we're approaching these in the initial leanings doc.



And just for your reference (not ready for external discussion), we have also included the current DRAFT of the initial leanings document.

Please let us know if you have additional thoughts, questions or requests on this. Happy holidays, and talk to you in the new year!

Kevin

503-230-4055

**From:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>  
**Sent:** Monday, December 21, 2020 11:39 AM  
**To:** Farleigh, Kevin S (BPA) - PSW-6 <[ksfarleigh@bpa.gov](mailto:ksfarleigh@bpa.gov)>  
**Cc:** Olive, Kelly J (BPA) - PSS-6 <[kjmason@bpa.gov](mailto:kjmason@bpa.gov)>; Mohamoud, Farah A (BPA) - PSS-6 <[famohamoud@bpa.gov](mailto:famohamoud@bpa.gov)>  
**Subject:** RE: January 7 PPC Meeting - Draft Slides for Provider of Choice update

Hi – I just spoke with Mike at PPC. This note summarizes two topics for you.

PPC and Summary of Customer Engagement:

PPC intends to submit comments on the summary document we generated – but not until some time into the new year. He said they haven't had sufficient board engagement. He also stated that PPC doesn't have material concerns regarding that document.

January 7 Executive Committee:

Mike is hoping for about 40 minutes total – mostly focused on discussion / Q&A. The slides you've prepared are good content around which to have that discussion – but if you can provide some early glimpse into topics you are hoping to include in the initial leanings discussion aid, I would value that. It will get us one step past process and begin some content discussion.

I can also use the session to probe for content the Executive Committee would prioritize us including.

Here's what he requested for content:

- Update on process / timing
- How we are thinking of approaching next steps and getting to design
- Tie to broader BPA strategy

Mike gave a preview of a few topics he believes will be critical path (below). Let me know how you are thinking about these topics vis-à-vis the initial staff leaning document:

- Length of commitment / contract *[We expect the initial leanings document will suggest “long-term contracts”, perhaps suggesting 20 years to as the conversation starter.]*
- Memorializing commitments to cost control (I take this to mean off-ramps if we cannot meet certain defined cost limits) *[Pending internal sponsor review, the initial leanings document may suggest that “BPA is open to discussing potential off-ramp concepts, along with product change opportunities and other similar flexibilities”.]*
- Introducing resource flexibilities (he noted that some customers want to develop new resources or want options – so nailing down the parameters around this is critical) *[It’s not clear at this point the extent to which these conversations will be appropriate for pre-Concept Paper discussions. Higher level 5b9c discussions likely would. For example, the interest/principle of BPA being ‘neutral as to whether customers serve their above-RHWM with Tier 2 or non-Fed’ likely would be a foundational tenet, certainly ripe for inclusion. In addition, ensuring customers have a mechanism to allow for coming and going from BPA between contracts is likely ripe for discussion. However, more detailed discussions around notice timing and commitment periods may be preliminary at this point. Those may be a subsequent policy discussion item or even a topic for detailed contract negotiation. The initial leanings document does not currently address this explicitly.]*
- Interestingly, Mike felt that topics like LDD, IRD, and even transfer service would at the end of the day be far less material than the above. *[Not sure all the customers will agree with Mike’s assessment, but we generally agree these issues could be pushed off to future conversations. We could deal with those as a module or component of the broader deal, rather than a foundational tenet. The initial leanings document does not currently address this explicitly.]*

Kevin – I would like you to attend the 1/7 meeting if you are available. I would like you there to note and bring back the key policy topics and perspectives we hear (I’m never good at presenting and noting key points simultaneously).

Best Regards,

**Kim Thompson**

Northwest Requirements Marketing | Vice President

**Bonneville Power Administration**

[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)

**From:** Thompson, Kim T (BPA) - PS-6

**Sent:** Monday, December 21, 2020 8:16 AM

**To:** Farleigh, Kevin S (BPA) - PSW-6 <[ksfarleigh@bpa.gov](mailto:ksfarleigh@bpa.gov)>

**Cc:** Olive, Kelly J (BPA) - PSS-6 <[kjmason@bpa.gov](mailto:kjmason@bpa.gov)>; Mohamoud, Farah A (BPA) - PSS-6 <[famohamoud@bpa.gov](mailto:famohamoud@bpa.gov)>

**Subject:** RE: January 7 PPC Meeting - Draft Slides for Provider of Choice update

Kevin, Kelly and Farah – Thanks for the slides – they look good and cover the basics that are appropriate at this time. Mike Deen called me Friday afternoon while I was out to discuss the Executive Committee meeting. I plan to call him back today – and will circle back if that conversation reveals anything additional we should cover.

One thing I am interested in adding, is a sense of content that the envisioned staff leanings for rough design – I've already fielded a specific question from NRU on whether we'll tip our hand regarding transfer service. I think it would be very helpful if my talking points included some examples of scope we plan to include – not the leanings themselves, but the array of topics.

Is that something you can work up?

Best Regards,

**Kim Thompson**

Northwest Requirements Marketing | Vice President

**Bonneville Power Administration**

[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)

**From:** Farleigh, Kevin S (BPA) - PSW-6 <[ksfarleigh@bpa.gov](mailto:ksfarleigh@bpa.gov)>

**Sent:** Wednesday, December 16, 2020 7:04 AM

**To:** Thompson, Kim T (BPA) - PS-6 <[ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)>

**Cc:** Olive, Kelly J (BPA) - PSS-6 <[kjmason@bpa.gov](mailto:kjmason@bpa.gov)>; Mohamoud, Farah A (BPA) - PSS-6 <[famohamoud@bpa.gov](mailto:famohamoud@bpa.gov)>

**Subject:** January 7 PPC Meeting - Draft Slides for Provider of Choice update

Good morning Kim,

You are scheduled to present to the PPC Executive Committee on January 7. As you may recall, we approached PPC about this shortly after we released the Provider of Choice Engagement Summary doc. Our thinking at the time was to have you share highlights from the document. Unfortunately, they were not holding their normal

meetings through the balance of 2020, but offered us this January slot instead.

So to that end, please find attached some draft slides covering the Provider of Choice material. We wanted to put this on your radar and provide you some material now so as to not be caught by surprise the first week of January after the holidays. It also occurs to us that you may want to take this opportunity to cover other topics as well (e.g. rates), but we wanted to get you some post-2028 material to work from as a start.

Please let us know if there's more we can help with on this. Thanks!

Kevin

503-230-4055



# Provider of Choice (Post-2028) Update

---

January 7, 2021

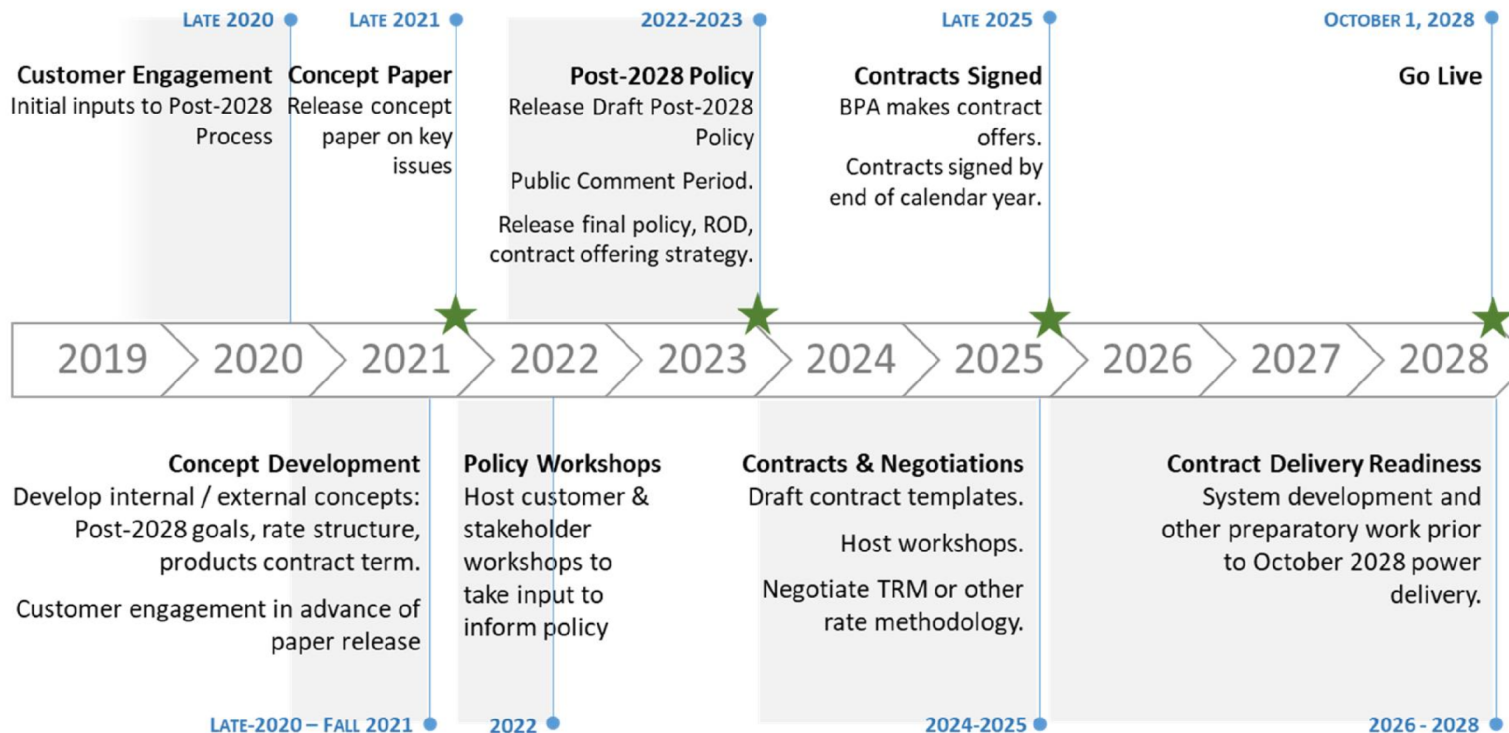


## Content

- Takeaways from 2020 customer engagement
- The plan for 2021—getting to the Concept Paper
- Tools and resources available to utilities
- Open discussion (throughout)



# Timeline



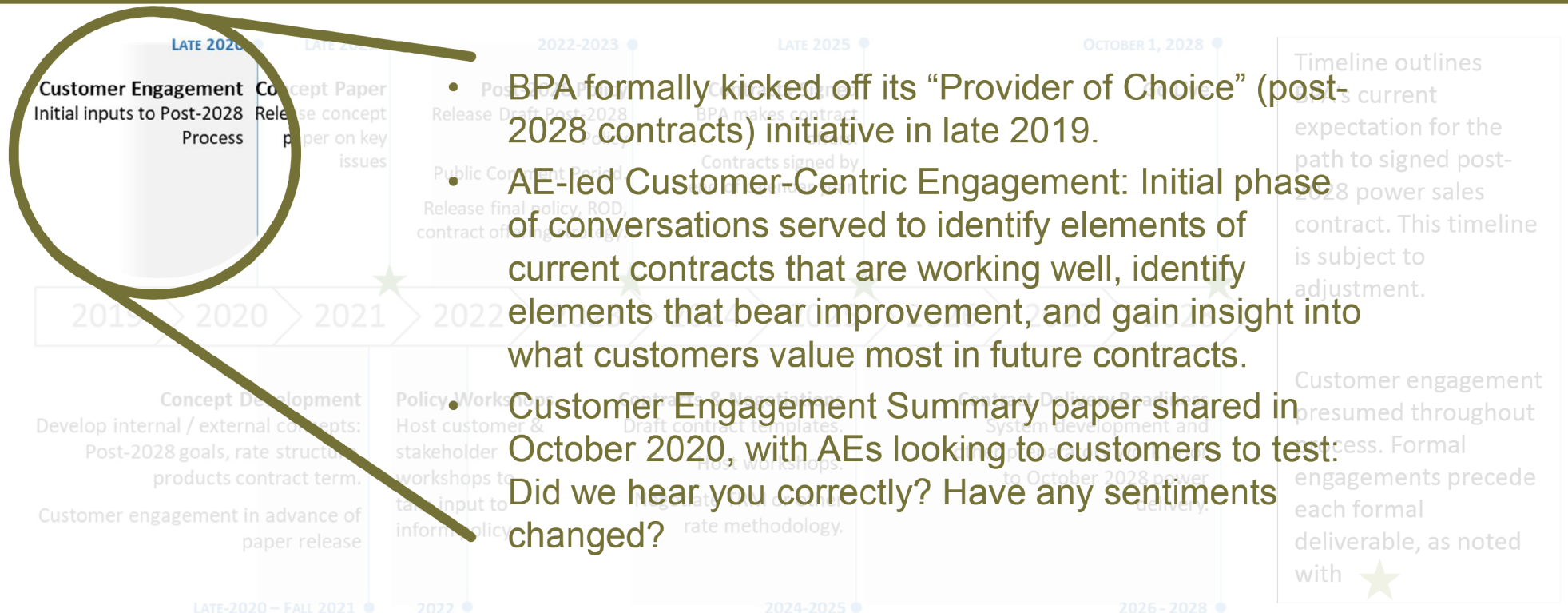
Timeline outlines BPA’s current expectation for the path to signed post-2028 power sales contract. This timeline is subject to adjustment.

Customer engagement presumed throughout process. Formal engagements precede each formal deliverable, as noted with ★

PPC Executive Committee  
January 7, 2021



# Timeline



**Customer Engagement**  
Initial inputs to Post-2028 Process

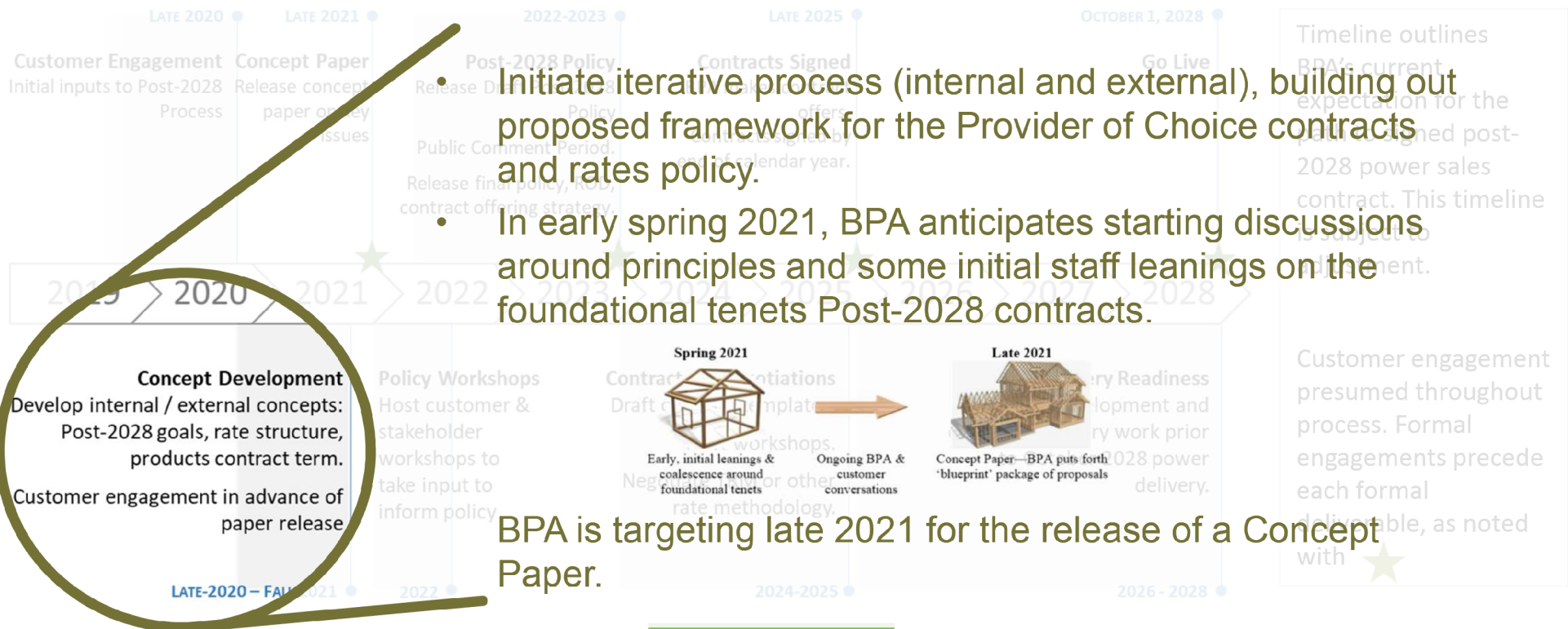
- BPA formally kicked off its “Provider of Choice” (post-2028 contracts) initiative in late 2019.
- AE-led Customer-Centric Engagement: Initial phase of conversations served to identify elements of current contracts that are working well, identify elements that bear improvement, and gain insight into what customers value most in future contracts.
- Customer Engagement Summary paper shared in October 2020, with AEs looking to customers to test: Did we hear you correctly? Have any sentiments changed?

Timeline outlines current expectation for the path to signed post-2028 power sales contract. This timeline is subject to adjustment.

Customer engagement presumed throughout process. Formal engagements precede each formal deliverable, as noted with ★



# Timeline



- Initiate iterative process (internal and external), building out proposed framework for the Provider of Choice contracts and rates policy.
- In early spring 2021, BPA anticipates starting discussions around principles and some initial staff leanings on the foundational tenets Post-2028 contracts.

PPC Executive Committee  
January 7, 2021

# Engagement Summary

- Feedback received since the October release of “Customer Engagement Summary” indicates customers’ general agreement with Summary’s key themes:
  - This is a time of great uncertainty in our industry and region.
  - Most of the foundational principles/interests of Regional Dialogue are still relevant.
  - Customers generally feel that the current contracts and rate structure are working well, but would like to see certain key adjustments.
  - Preservation of the current “clean” system mix and customers’ ability to comply with low carbon legislative requirements is critical.
- With affirmation of key themes, BPA will move forward into substantive 2021 conversations.

## Initial Staff Leanings and 2021 Conversations

- BPA expects initial staff leanings and related conversations to cover:
  - Interests/goals for Provider of Choice service offerings
  - Service to public utilities
    - Contract term
    - Extent of standardization
    - Rate structure
    - Core products, including any significant adjustments from Regional Dialogue
- Throughout 2021, BPA and customers to identify additional foundational topics for discussion. Such topics may touch on CHWM/RHWM determinations, application of non-federal resources, carbon, and others.



## How to Participate and Stay Informed

- AEs will continue to serve as a primary point of contact, continuing the customer-centric engagement with utilities.
- BPA also envisions working group meetings with preference customers and customer representatives, including PPC, to discuss the foundational tenets and other key topics to be addressed in the Concept Paper.

## Resources for Customers on Post-2028

- **BPA Account Executives:** Primary and constant resource for customers. Your conduit of information to and from BPA and can provide topic-specific refresher trainings.
- **Educational Materials:** BPA has developed a roster of Post-2028 Fact Sheets to help ensure customer leadership has reference materials on the products and services BPA currently provides.
- **Provider of Choice Website:**
  - The [website](#) houses all Provider of Choice materials and Regional Dialogue reference materials such as policy, RODs and related documents



From: Thompson, Kim T (BPA) - PS-6

Sent: Fri Jan 08 15:13:32 2021

To: Goodwin, Summer G (BPA) - DKC-7; Turner, Kristel L (BPA) - DKP-7

Cc: Farleigh, Kevin S (BPA) - PSW-6; Mohamoud, Farah A (BPA) - PSS-6; Olive, Kelly J (BPA) - PSS-6

Subject: RE: John's talking points for ICUA and Provider of Choice

Importance: Normal

Attachments: image001.jpg; image002.jpg; image003.jpg; image004.jpg; image005.jpg; image006.jpg

Thanks Summer and Kristel –

I am generally comfortable with the talking points below. For the highlighted point, I'd recommend we create a touch of timing flexibility by dropping the "early" and just noting spring.

Best Regards,

**Kim Thompson**

Northwest Requirements Marketing | Vice President

**Bonneville Power Administration**

[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)



**From:** Goodwin,Summer G (BPA) - DKC-7 <sggoodwin@bpa.gov>  
**Sent:** Friday, January 8, 2021 3:03 PM  
**To:** Turner,Kristel L (BPA) - DKP-7 <kltturner@bpa.gov>  
**Cc:** Farleigh,Kevin S (BPA) - PSW-6 <ksfarleigh@bpa.gov>; Mohamoud,Farah A (BPA) - PSS-6 <famohamoud@bpa.gov>; Olive,Kelly J (BPA) - PSS-6 <kjmason@bpa.gov>; Thompson,Kim T (BPA) - PS-6 <ktthompson@bpa.gov>  
**Subject:** RE: John's talking points for ICUA and Provider of Choice

Kristel, I will defer to Kim and her team about what John could use as material for ICUA meeting. Since the PPC briefing didn't happen yesterday, and this isn't rescheduled now until tentatively Jan 21, I'd leave the bullet about this spring out, but I think the rest of it is ok to include. Kim et al, any concerns? Kim maybe speaking there too, I am not sure. We would not want to duplicate efforts.

Summer

**From:** Turner,Kristel L (BPA) - DKP-7 <[kltturner@bpa.gov](mailto:kltturner@bpa.gov)>  
**Sent:** Friday, January 8, 2021 2:00 PM  
**To:** Goodwin,Summer G (BPA) - DKC-7 <[sggoodwin@bpa.gov](mailto:sggoodwin@bpa.gov)>  
**Subject:** RE: Review requested: QBR draft agenda items

Is it ok if I include this in John's talking points for ICUA next Tuesday?

## Process

- Initiate iterative process (internal and external), building out proposed framework for the Provider of Choice contracts and rates policy.
- In early spring 2021, BPA anticipates starting discussions around principles and some initial staff leanings on the foundational tenets Post-2028 contracts.
- BPA is targeting late 2021 for the release of a Concept Paper.

Feedback received since the October release of “Customer Engagement Summary” indicates customers’ general agreement with Summary’s key themes:

- This is a time of great uncertainty in our industry and region.
- Most of the foundational principles/interests of Regional Dialogue are still relevant.
- Customers generally feel that the current contracts and rate structure are working well, but would like to see certain key adjustments.
- Preservation of the current “clean” system mix and customers’ ability to comply with low carbon legislative requirements is critical.
- With affirmation of key themes, BPA will move forward into substantive 2021 conversations.

BPA expects initial staff leanings and related conversations to cover:

- Interests/goals for Provider of Choice service offerings

- Service to public utilities
- Contract term
- Extent of standardization
- Rate structure
- Core products, including any significant adjustments from Regional Dialogue
- Throughout 2021, BPA and customers to identify additional foundational topics for discussion. Such topics may touch on CHWM/RHWM determinations, application of non-federal resources, carbon, and others.

From: Thompson, Kim T (BPA) - PS-6

Sent: Fri Jan 08 15:13:32 2021

To: Goodwin, Summer G (BPA) - DKC-7; Turner, Kristel L (BPA) - DKP-7

Cc: Farleigh, Kevin S (BPA) - PSW-6; Mohamoud, Farah A (BPA) - PSS-6; Olive, Kelly J (BPA) - PSS-6

Subject: RE: John's talking points for ICUA and Provider of Choice

Importance: Normal

Attachments: image001.jpg; image002.jpg; image003.jpg; image004.jpg; image005.jpg; image006.jpg

Thanks Summer and Kristel –

I am generally comfortable with the talking points below. For the highlighted point, I'd recommend we create a touch of timing flexibility by dropping the "early" and just noting spring.

Best Regards,

**Kim Thompson**

Northwest Requirements Marketing | Vice President

**Bonneville Power Administration**

[bpa.gov](http://bpa.gov) | P 503-230-3408 | C (b)(6)

**From:** Goodwin,Summer G (BPA) - DKC-7 <sggoodwin@bpa.gov>  
**Sent:** Friday, January 8, 2021 3:03 PM  
**To:** Turner,Kristel L (BPA) - DKP-7 <kltturner@bpa.gov>  
**Cc:** Farleigh,Kevin S (BPA) - PSW-6 <ksfarleigh@bpa.gov>; Mohamoud,Farah A (BPA) - PSS-6 <famohamoud@bpa.gov>; Olive,Kelly J (BPA) - PSS-6 <kjmason@bpa.gov>; Thompson,Kim T (BPA) - PS-6 <ktthompson@bpa.gov>  
**Subject:** RE: John's talking points for ICUA and Provider of Choice

Kristel, I will defer to Kim and her team about what John could use as material for ICUA meeting. Since the PPC briefing didn't happen yesterday, and this isn't rescheduled now until tentatively Jan 21, I'd leave the bullet about this spring out, but I think the rest of it is ok to include. Kim et al, any concerns? Kim maybe speaking there too, I am not sure. We would not want to duplicate efforts.

Summer

**From:** Turner,Kristel L (BPA) - DKP-7 <[kltturner@bpa.gov](mailto:kltturner@bpa.gov)>  
**Sent:** Friday, January 8, 2021 2:00 PM  
**To:** Goodwin,Summer G (BPA) - DKC-7 <[sggoodwin@bpa.gov](mailto:sggoodwin@bpa.gov)>  
**Subject:** RE: Review requested: QBR draft agenda items

Is it ok if I include this in John's talking points for ICUA next Tuesday?

## Process

- Initiate iterative process (internal and external), building out proposed framework for the Provider of Choice contracts and rates policy.
- In early spring 2021, BPA anticipates starting discussions around principles and some initial staff leanings on the foundational tenets Post-2028 contracts.
- BPA is targeting late 2021 for the release of a Concept Paper.

Feedback received since the October release of “Customer Engagement Summary” indicates customers’ general agreement with Summary’s key themes:

- This is a time of great uncertainty in our industry and region.
- Most of the foundational principles/interests of Regional Dialogue are still relevant.
- Customers generally feel that the current contracts and rate structure are working well, but would like to see certain key adjustments.
- Preservation of the current “clean” system mix and customers’ ability to comply with low carbon legislative requirements is critical.
- With affirmation of key themes, BPA will move forward into substantive 2021 conversations.

BPA expects initial staff leanings and related conversations to cover:

- Interests/goals for Provider of Choice service offerings

- Service to public utilities
- Contract term
- Extent of standardization
- Rate structure
- Core products, including any significant adjustments from Regional Dialogue
- Throughout 2021, BPA and customers to identify additional foundational topics for discussion. Such topics may touch on CHWM/RHWM determinations, application of non-federal resources, carbon, and others.

From: Scott Simms

Sent: Tue Jan 12 10:38:47 2021

To: Thompson, Kim T (BPA) - PS-6; Michael Deen

Cc: Karen Heim

Subject: [EXTERNAL] Circling back to Jan. 21/21 2028 update

Importance: Normal

Kim – Thanks for your gracious understanding of the last-minute events that drove a change to our Executive Committee agenda for last Thursday. I wanted to circle back to the plan we had penciled in for you and key members of your staff to engage with our members in a special PPC Members' Forum on the afternoon of Jan. 21. I have copied Mike Deen here so the two of you can get the wheels turning on arranging this meeting, with Karen Heim in our office to help track and prep the technical and schedule aspects. Thanks again for your flexibility.

Scott Simms

Executive Director

Public Power Council

650 N.E. Holladay Street, #810

Portland, OR 97232

503-595-9770



[www.ppcpdx.org](http://www.ppcpdx.org)

Hopeful that BPA will continue to be the primary provider of choice if BPA maintains low cost

The Post 2028 Summary was good and customer understands BPA's approach.

Customers will continue to go customer group representatives and will let us know if a separate conversation is needed.

1. Some customers are not providing comments at this time. These customers will work through customer groups. Customers that fall in this category will provide additional input if needed after customer group discussions are completed.
2. BPA knows what it wants/needs in a contract.
3. If I had to choose between LDD and transfer service I would choose transfer service.
4. Off ramp for Tier 2 products as well as long term contract.
5. Shorter-term contracts.
6. Long-term contracts are good.
7. 2-year rate cases are too quick, maybe a 5-year rate case.
8. Keep rates low.
9. There is understanding of increase in rates but we need to ensure that it is used appropriately- infrastructure, upgrades, dams, stabilizing grid and ensuring a robust grid etc...
10. Maintaining assets in good conditions.
11. It is important that things are done correctly.
12. Look into storage solutions- pump storage, electric vehicles are the battery storage source; storing water is the way to go.
13. Doing an awesome job keep up the good work.
14. Likes the Load following product where BPA manages it all.
15. Pricing is a concern and dreading 2028.
16. Reinvest in the local area.
17. No complaints at this time.
18. Not going anywhere else unless BPA is not competitive.
19. AE great to work with and helpful
20. Current contract too long and concerned with being locked in.
21. I depend on my AE to keep me posted and aware of issues.
22. Need more people on the ground. BPA is top heavy.
23. I am a new GM and am unsure I have the knowledge to discuss/provide knowledgeable feedback for new contract.