PROVIDER OF CHOICE POST 2028

March 2023 Rates Analysis Explainer

What is the rates tool?

BPA developed a rate analysis tool in December 2022 to help workshop participants understand how different levels of augmentation and rate design can impact the effective rate different customers may pay for power. The tool assumes all Above Rate Period High Water Mark (RHWM) load will cost the same regardless of whether BPA serves it through a Tier 2 rate or the customer serves it with a non-federal resource. The analysis includes a "start" evaluation and an "end" evaluation - the start being the start of the contract and the end being a later point in time after load changes are considered. The tool leverages data from the final BP-24 RHWM spreadsheet. The results do not include any other rate design aspects that can cause different customer effective rates, meaning the results do not consider monthly, heavy load hour and light load hour shape differences or apply Low Density Discount, Irrigation Rate Discount, demand or any other rate design components.

What is included in the March 2023 updates?

BPA updated the rates tool in March 2023. The updated version of the rates tool compares four proposals discussed in Provider of Choice workshops. The first proposal considers if BPA were to rollover customers' 2024 RHWMs under Regional Dialogue as the Contract High Water Marks (CHWMs) for the Provider of Choice contracts. The second proposal is BPA's revised Provider of Choice concept released in January 2023. The third proposal is based on a recommendation from NRU. The final proposal looks at what would occur if BPA returned to pre-Regional Dialogue buy-and-meld rates where all load is served at the same rate.

What are the key takeaways?

1. The tiered rate proposals (Regional Dialogue Rollover, BPA Updated Concept and NRU Proposal) all take different approaches in how CHWMs are set and vary in the Tier 1 system size created as an output of that CHWM methodology. The final proposal, Buy and Meld, does not have a system size as it does not assume tiered rates.

2. The rates tool (published in December 2022 with an update in March 2023) produces scenarios under different load growth assumptions to compare the start of contract to the end of contract. The Tier 1 rate varies across scenarios as it is possible for customers with headroom to never grow into their whole high water mark. The maximum effective rate varies depending on where load growth occurs, for example it could be higher if more load is Above-HWM load compared to below HWM load.

3. Any Tier 1 system size larger than BPA's expected firm output of the federal system would result in a higher Tier 1 rate due to melding acquisition costs to the cost of the federal system.

4. A larger Tier 1 system size may limit the maximum effective rate for load growth utilities at the start of the contract, but the exposure to higher rates persists in even high system size models. An outcome of tiered rates is potential exposure to higher maximum effective rates compared to buy and meld.

5. A larger Tier 1 system socializes the costs for serving load growth amongst all customers rather than isolating the additional costs required to serve load growth to the customers that grew.

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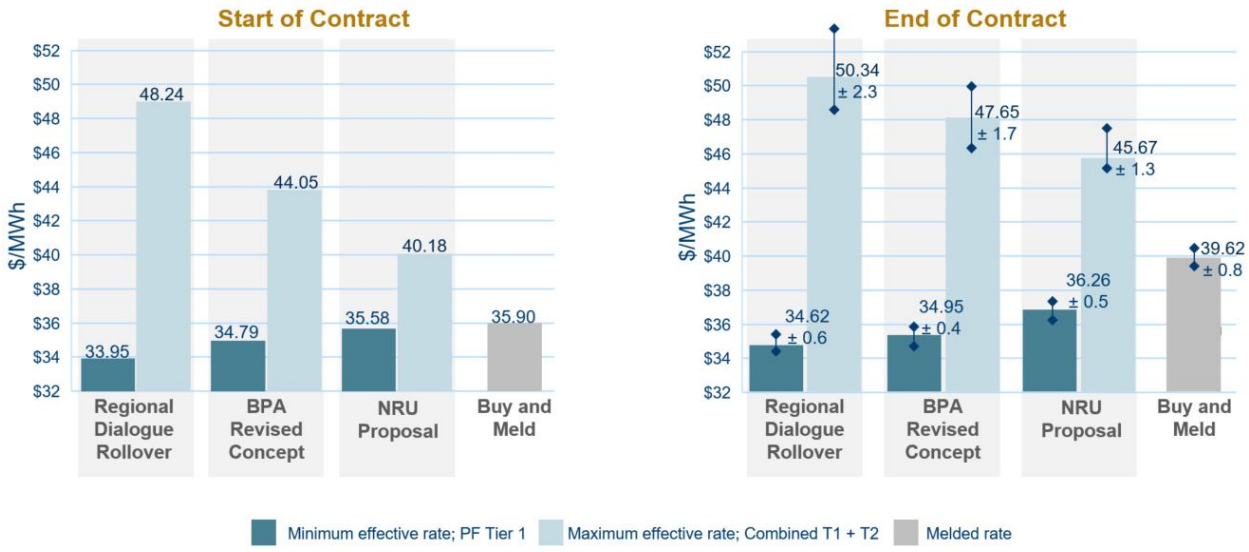
Rate scenarios

across the Provider of Choice contract period by system size



Workshop date: April 2023