



Department of Energy

Bonneville Power Administration
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EXECUTIVE OFFICE

September 29, 2021

In reply refer to: A-7

Subject: Bonneville's decision to participate in Phase 3A Non-Binding Forward Showing Program of the Western Resource Adequacy Program

To: Bonneville customers, stakeholders, and interested parties

The Bonneville Power Administration has decided to participate in the next phase of the Western Resource Adequacy Program, being organized and administered by the Northwest Power Pool. This decision comes after a careful review of comments on Bonneville's August 20 Draft Decision. I appreciate the thoughtful input and questions we received, which will be important for Bonneville and its customers to consider as we move through the Northwest Power Pool's process.

Most comments on Bonneville's draft decision expressed full support for the agency's participation in the next phase of the program, and none expressed opposition. Bonneville agrees it is important to remain involved, particularly at this critical stage where the program will transition from developing concepts to testing them, determining the program's viability, and shaping its final design.

Many commenters raised questions about costs and other impacts that Bonneville cannot answer at this time. A primary value of participating in the Phase 3A Non-Binding Forward Showing Program is to gain the experience and knowledge necessary to address these unanswered questions. Bonneville is committed to engaging with customers and stakeholders throughout Phase 3A to share analysis and experience with the program as it is available. Ultimately, this engagement while participating in Phase 3A will enable us to make an informed decision about joining the program's Binding Phase 3B in 2022.

During this voluntary phase, Bonneville—like all participants—will have the ability to test the effectiveness of the program without making operational commitments or incurring financial costs for non-compliance. Bonneville will also have the ability to determine whether the final binding program design aligns with its statutory obligations, and whether the resources relied upon by participants are adequate to meet demands for power.

The development of the Western Resource Adequacy Program is a proactive effort by many in the region and across the West to address concerns driven by climate change, thermal plant retirements, and additions of intermittent, non-dispatchable resources as part of the region's clean energy transition. The program will establish common metrics and increase transparency into resources and transmission needed to reliably supply power to meet existing and future load

demands. The binding program will enforce compliance with those metrics, providing a shared foundation to ensure the supply of power (capacity) is adequate to meet load.

I am encouraged by the collaboration with our fellow Northwest Power Pool members and by the direction of the program design and initial governance proposals. I believe that by working together and sharing uniform metrics, we can unlock additional value from the federal hydropower and transmission system and enhance the reliability of the region's power supply in the face of more extreme load events.

Next steps

Many parties asked about Bonneville's decision process for participating in Phase 3B. We are tentatively planning for our formal process to begin in the fall of 2022. In the meantime, as stated earlier, we are committed to engaging with customers and stakeholders throughout Phase 3A as we gain knowledge from the non-binding implementation and gain further details on the binding program design and governance. Adhering to Bonneville's statutory obligations and the interests of our customers and the region is our focus, and we look forward to working with you on this and other important issues.

Sincerely,

/s/ John L. Hairston

John L. Hairston

Administrator and Chief Executive Officer

*Final Decision***Re: Bonneville's Decision to Participate in Phase 3A Non-Binding Forward Showing Program of the Western Resource Adequacy Program**

Over the last year, Bonneville has worked with the members of the Northwest Power Pool (NWPP) to gather information and to develop a conceptual and detailed design for a Western Resource Adequacy Program being organized and administered by the NWPP.¹ The initiative is now advancing to the next phase in its development, known as the Phase 3A Non-Binding Forward Showing Program ("Phase 3A"). On August 20, 2021, Bonneville published its Draft Letter to the Region with its proposed decision to participate in Phase 3A and gave the public the opportunity to submit comments until September 3, 2021. Bonneville received eight comments² and in general, the comments offered support to Bonneville's continued participation in Phase 3A:

- Six commenters support Bonneville's continued participation;
- One commenter conditionally supports Bonneville's continued participation; and
- One commenter does not oppose Bonneville's continued participation.

While commenters generally offered support for Phase 3A participation, they raised specific concerns that were focused on the decision process leading up to, and questions about, the Phase 3B Binding Program ("Phase 3B" or "Binding Program") participation. Those comments ask Bonneville to, among other things, perform additional outreach to customer groups, to consider certain decision making principles leading up to Phase 3B, and to address certain operational and legal questions related to Bonneville's potential Phase 3B participation. With respect to Bonneville's Phase 3A decision, commenters generally noted that: participation will serve as a means to influence program design; participation will allow Bonneville to gain understanding of the potential benefits and drawbacks of the program implementation, including developing information about potential impacts to Bonneville customers, contracts, products, and rates; and participation will serve to inform Bonneville's understanding of the costs of realizing the fully-functioning program goals. Responses to comments on Bonneville's draft decision to join Phase 3A are provided below.

After evaluating the information developed through Phase 2 and taking into account considerations posed by commenters, Bonneville has decided to participate in Phase 3A. Bonneville's Phase 3A participation will enable the agency to continue to work with regional partners to flesh out the design details of the Western Resource Adequacy Program and to evaluate its potential value while taking part in the Forward Showing activities with informational, non-binding requirements. During Phase 3A, the agency will continue to evaluate the program rules and governance structure and will offer input to its design to better ensure that

¹ The Western Resource Adequacy Program has been referred to as the NWPP Resource Adequacy Program in previous documentation. Since the program will also be open to Load Responsible Entities who are not current signatories of any NWPP agreements, including those not in the "northwest", the Program is being rebranded as the Western Resource Adequacy Program.

² Public comments, including questions posed by stakeholders during Bonneville's Phase 3A decision process can be found at [Bonneville's Resource Adequacy website](#).



the Binding Program allows Bonneville to participate in a manner consistent with its legal authorities. The decision to participate in Phase 3A does not obligate Bonneville to participate in any future phases of the program, including the Binding Program in Phase 3B. During Phase 3A, Bonneville will continue to work with its customers and will address issues that would affect Bonneville's potential decision to join the Binding Program.

Resource Adequacy Regional Coordination Context

In recent years, utilities and power planners within the Pacific Northwest and beyond have become increasingly concerned about having adequate resources and transmission to reliably supply the power needed to meet existing and future load demands. These concerns have been driven in large part by accelerating retirement of base-load thermal generating facilities and growing development and use of non-dispatchable resources that may not be available at key times to meet power needs. In addition, recent extreme load events have contributed to planning and resource adequacy concerns across the country. In some cases these load events have resulted in forced unplanned power outages, such as those observed in California, both last summer and this summer, and in Texas last winter.

Many states have passed clean energy laws or have proposals in the legislative process to enact such laws. These actions continue the trend of retiring base-load fossil-fueled resources and increasing the development of non-carbon emitting variable energy resources that are largely non-dispatchable and weather-dependent. Thus, carbon-free energy resources are required to balance the intermittent renewable resources to meet peak power demands. In recognition of the additional complexity this brings for resource planning and the need to ensure the availability of reliable capacity to meet peak load events, a broad coalition of NWPP members came together in early 2019 to scope the development of a Western Resource Adequacy Program.

Western Resource Adequacy Program: Initial Design Efforts

In general, nearly all utilities do their own resource planning through integrated resource plans. Since the deregulation of wholesale transmission in the mid-1990s many utilities have relied on the availability of energy and capacity in the spot market to cover part of their needs. Given the aforementioned challenges, utilities have begun to question the reliance on the spot market as an assured resource that is available when called upon. The Western Resource Adequacy Program is intended to ensure sufficient generating and transmission capacity is available to meet forecasted peak hourly demand, and a planning reserve margin that includes contingency reserves.

Beginning in 2019, Bonneville and other utility members of the NWPP initiated discussions that led to a cooperative process to start reviewing and addressing resource adequacy in the region. The Western Resource Adequacy Program represents a proactive effort to address resource adequacy risks in the West through coordination among actors in the power industry. Participants in the initiative have been working to develop the program's technical design, as well as a framework for governance that accommodates jurisdictional implications for the diverse mix of potential program participants.

The Western Resource Adequacy initiative is organized into three phases:

- Phase 1, Information Gathering
- Phase 2, Conceptual and Detailed Design
- Phase 3, Implementation

Phase 2 is concluding as of September 30, 2021, at which time the initiative will transition from conceptual design work to initial implementation for Phase 3, which will be divided into two segments:

- **Phase 3A:** This phase will consist of a Non-Binding Forward Showing Program; completion of work related to detailed design and system development, and a winter and summer forward showing data submittal. Phase 3A represents an interim step to evaluate the viability of the Phase 3B Binding Program. Phase 3A will also include finalization of the governance design framework, and submittal to Federal Energy Regulatory Commission (FERC) of the program for approval.
- **Phase 3B:** This phase will consist of a Binding Program for Forward Showing, along with a Binding Operational Program that will go into the operating day. It is currently anticipated that the Binding Forward Showing period of the program will begin in spring or summer 2023 for the winter 2023-2024 season, meaning a Forward Showing submittal seven months in advance of winter 2024. The Binding Operational Program would then begin in winter 2023-2024. It is expected that the full Binding Program and its governance structure will be subject to FERC jurisdiction. Therefore, the timing of when the Binding Program will become effective is dependent on when FERC approval is received.

The NWPP is the organizer of this initiative and maintains updates for the program developments on its website (www.nwpp.org/adequacy).

Bonneville's Interest in Continued Participation in the Initiative

Participation in the Phase 3A Design Work

Bonneville sees opportunity for benefits in continued participation in the Western Resource Adequacy Program's Phase 3A Non-Binding Forward Showing Program. While the development of a Western Resource Adequacy Program is expected to help meet resource adequacy challenges facing Load Responsible Entities (LRE),³ there are still many unknowns. In response to Bonneville's August 20, 2021 Draft Decision on continued participation, many customers commented on the importance of Bonneville continuing to have a hand in designing the Binding Program. Participation in the ongoing design work, specifically as a member of the program's Resource Adequacy Participant Committee Operating Committee, will allow

³A "Load Responsible Entity" ("LRE") is an entity that (i) owns, controls, and/or purchases capacity resources, or is a Federal Power Marketing Administration or a Canadian Power Marketing Entity, and (ii) has the obligation, either through statute, rule, contract, or otherwise, to meet energy or system loads at all hours. Notwithstanding (i) above, an LRE may also be any entity that is responsible for meeting the compliance obligations of the Western Resource Adequacy Program on behalf of one or more other entities by mutual agreement.

Bonneville to more effectively address the interests of Bonneville and its customers, as well as the region's concerns about potential capacity shortfalls and the direction of any future resource adequacy requirements that may affect the Pacific Northwest. Bonneville's continued contribution to the program design work will better ensure that the Binding Program design will be consistent with Bonneville's statutory authorities and effectively support Bonneville's customers by way of helping to meet its load service obligations, should Bonneville decide to participate in the Binding Program in the future.

Benefits of Participation in the Phase 3A Non-Binding Forward Showing Program

By participating in Phase 3A, Bonneville will have an opportunity to test the effectiveness of the program on a voluntary basis without the financial (other than committed participation costs) or operational requirements that are associated with a Binding Program. The information learned through Bonneville's participation in Phase 3A will allow the agency to better assess the potential value of the program and will serve to further inform Bonneville's ultimate decision regarding whether to participate in the Binding Program.⁴ Several commenters agree that Bonneville's participation in Phase 3A provides an opportunity to make a more informed decision about participating in Phase 3B.

In addition, Bonneville's participation will help facilitate the broader objectives and desired outcomes of the final Western Resource Adequacy Program, which include:

- A clear, uniform standard with accountability and commitment from each participant.
- Parameters around how much capacity each participant is responsible for providing.
- Transparency and standardization around the resources and transmission plans relied upon by participants to assure resource adequacy.
- Cost and resource savings through diversity benefits gained from measuring the overall resource adequacy needs across the program's footprint.

These objectives are intended to ensure that all participants in the program have a commitment to resource adequacy, which would help mitigate the risk of future potential shortages that could impact all participants.

Another important interest Bonneville has in the development of the Western Resource Adequacy Program is the promise it offers in helping Bonneville meet its long-term power sales contract obligations to supply firm power to its regional power customers. Demand for power is expected to continue to grow while the spot market is expected to have increasing periods of scarcity and price volatility. Like other entities that have power supply obligations to serve load, there is concern that the reliance on, and use of, the spot market to source short-term supply needs is becoming much more volatile as large thermal projects throughout the West are replaced by non-dispatchable variable energy resources. This shift in the resource mix creates challenges for LREs and their ability to meet the expected peak load demand over the coming years. The Western Resource Adequacy Program is expected to address many of these capacity challenges

⁴ Further information pertaining to Bonneville's engagement or anticipated impacts can be found at [Bonneville's Resource Adequacy website](#).

to improve overall coordination and situational awareness for bulk transmission system and power operations reliability in the region.

The Western Resource Adequacy Program is also expected to establish a standard practice of how the capacity of different types of resources are accounted for, and a standard planning reserve margin to ensure that participants plan for uncertainty in a consistent manner. Participants would have more certainty that all participating LREs are using the same standards and methods, creating more transparency and consistency across the region. Such standardizations would also ensure that participants are adequately planning for physical resources to supply the capacity needed to meet their own peak loads.

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

Participation Costs for the Phase 3A Non-Binding Forward Showing Program

Based on expected participation levels, Bonneville's estimated costs for the 15-month Phase 3A Non-Binding Forward Showing Program are expected to be roughly \$1 million, spanning across two fiscal years. This amount is based on the Not-to-Exceed calculation for full Phase 3A participation (including Operating Committee participation), but may be lower or higher depending on the number of participants who ultimately join Phase 3A.

Decision Process Roadmap

Decision Process for Phase 3A Non-Binding Forward Showing Program

Throughout Bonneville's participation in the initiative to develop a Western Resource Adequacy Program, Bonneville has engaged in ongoing discussions with customers about the program's development and to indicate Bonneville's perspective. In addition, the NWPP has hosted several public engagement workshops, including the Load Service Information Forum (LIF) sessions, to build awareness and understanding of the Western Resource Adequacy Program and encourage broad LRE participation as the program moves forward. Bonneville's customers have been invited to participate in these public sessions on a regular basis. The NWPP forums, Bonneville's ongoing engagement with customers, and Bonneville's participation in the earlier program design phase has built a solid foundation for Bonneville to execute its decision-making process for making its determination to join Phase 3A. The timeline below shows the process resulting in Bonneville's final Phase 3A decision:

1. NWPP Resource Adequacy Program⁵ Public Webinars (February 2020-May 2021)

⁵ The program was still known as the NWPP Resource Adequacy Program during this timeframe. The rebranding to Western Resource Adequacy Program took place in late summer 2021.

2. Informal Bonneville engagement with customers and stakeholders (Summer 2020 – Summer 2021)
3. Agency evaluation of NWPP Resource Adequacy Program risks (May-July 2021)
4. NWPP Load Service Information Forum Sessions (May-August 2021)
5. Bonneville public meetings and stakeholder input (July-September 2021)
6. Finalize Bonneville’s Non-Binding Forward Showing Program business case (June-September 2021)
7. Issue proposed decision regarding participation in Phase 3A for public comment (August 2021)
8. Issue final decision regarding participation in Phase 3A in Letter to the Region (September 2021)

Decision Process for Phase 3B Binding Program

Following Bonneville’s decision to participate in Phase 3A, Bonneville will need to assess the business case for participating in the full Binding Program (Phase 3B) once that information is available. The anticipated process and tentative⁶ timelines for Bonneville’s Phase 3B participation decision include:

1. Continue Bonneville engagement with customers and stakeholders (fall 2021 – ongoing)
2. Agency evaluation of Western Resource Adequacy Program risks and benefits (fall 2022)
3. Bonneville formal public meetings and stakeholder input (fall/winter 2022)
4. Finalize Bonneville’s Binding Program business case (fall/winter 2022)
5. Issue proposed decision regarding participation in Phase 3B for public comment (fall/winter 2022)
6. Issue final decision regarding participation in Phase 3B in Decision Document/Closeout Letter (fall/winter 2022)

At the August 25, 2021 public meeting, Bonneville shared a preliminary stakeholder engagement plan identifying key milestones for timely, robust discussions with stakeholders throughout Phase 3A. Bonneville recognizes the decision on whether to join Phase 3B has greater impacts to Bonneville and its customers than the decision to participate in Phase 3A, and that there are many aspects, considerations, and unanswered questions, some already posed by customers,⁷ which should be considered in order to make that decision. Aligning with the suggestions of many commenters, Bonneville is actively developing a more robust stakeholder engagement plan which will focus on discussing program design updates and impacts to Bonneville and its customers, outcomes from Bonneville’s participation in the non-binding forward showing program activities, and resolving open questions and key considerations in order for Bonneville to make a well informed decision on participation in Phase 3B. This engagement process will begin in the very near future, and throughout the process there will be opportunities for public comment and review before making a final decision. We expect to provide a draft schedule for customer input on Phase 3A engagement within in the next few weeks.

⁶ Subject to Western Resource Adequacy Program timelines.

⁷ Public comments, including questions posed by stakeholders during Bonneville’s Phase 3A decision process can be found at [Bonneville’s Resource Adequacy website](#).

Bonneville also agrees with the Public Power Council’s comment reflecting that the “Customer Impact Summary” used to track implementation issues has been helpful for the agency’s EIM decision process and is open to discussing how to use a similar strategy for the Western Resource Adequacy Program as part of its stakeholder engagement plan.

Conclusion: Decision on Participation in Phase 3A Non-Binding Forward Showing Program of the Western Resource Adequacy Program

For the reasons set forth in this letter, Bonneville will continue participation in the Western Resource Adequacy Program’s Phase 3A Non-Binding Forward Showing Program. By participating in Phase 3A, Bonneville makes no commitments to participate in the Binding Program. Bonneville will use the information developed during Phase 3A to evaluate whether the program can effectively meet its Binding Program participation principles as previously discussed with customers.

Response to comments on draft decision to join Phase 3A

Bonneville appreciates the comments and questions stakeholders have provided throughout its engagement process for participating in Phase 3A of the Western Resource Adequacy Program. As noted in the comment submissions during Bonneville’s public process, some questions and comments are relevant to Bonneville’s decision on whether to participate in the binding program (Phase 3B), while others are specific to Bonneville’s decision on participating in the non-binding program (Phase 3A).⁸ Bonneville is committed to working with customers and stakeholders throughout future stakeholder engagement to further discuss and resolve open questions and considerations in order for Bonneville to make a well informed decision on participation in Phase 3B. At this time, Bonneville also offers the following responses to the questions, requests, and comments that are relevant to Bonneville’s decision on participation in Phase 3A, or questions Bonneville has enough information to respond to at this time.

Comment #1:

Public Power Council (PPC) has explicitly requested that in the final letter, BPA must:

- “Agree that the questions developed by PPC...are material to BPA’s decision to participate in the RA program on a binding basis;
- Acknowledge that the agency has not yet addressed these questions and/or initial conclusions have not yet been fully vetted; and
- Commit to working with customers to resolve these questions in advance of taking on any binding obligations related to the program.”

Bonneville Response:

Bonneville acknowledges the concerns and questions raised by PPC and understands how important these types of issues are to Bonneville and its public power customers. Bonneville also acknowledges that many of the concepts in the Western Resource Adequacy Program are untested and new, and that Phase 3A will give Bonneville and its customers an opportunity to flesh out answers to any remaining questions or evaluation of concepts. Prior to making a decision regarding participation in Phase 3B, Bonneville will assess the Western Resource Adequacy Program, how Bonneville exercises its authority to meet its obligations, and any resulting impacts on Bonneville’s cost of operations and power supply that may affect Bonneville’s wholesale power rates. Bonneville agrees with PPC that it is important to scrutinize and understand how the program is designed to function to ensure that the Western Resource Adequacy Program is consistent with Bonneville’s existing statutory or contractual obligations.

Bonneville is committed to collaboratively working with its customers over the course of Phase 3A to address questions and concerns that were identified in this process. This will ensure a complete record is developed before Bonneville decides whether to join in Phase 3B of the program.

⁸ Specifically, comments submitted by the Public Power Council, Northwest Requirements Utilities, Northwest Energy Coalition, Alliance of Western Energy Consumers, Western Public Agencies Group, and Snohomish County PUD No. 1 through Bonneville’s public stakeholder process, include questions or considerations relevant to Bonneville’s decision to participate in Phase 3B.

Comment #2:

PPC states: "...PPC encourages BPA to take a strategic look at its engagement in regional markets and programs, including identifying desired objectives of regional markets and programs, and criteria it would use to assess those opportunities. Similarly, PPC has developed principles and philosophies for development of regional markets and programs. PPC members will use these principles and philosophies to evaluate any regional markets or programs that are proposed. The PPC market principles and philosophies are attached to these comments."

Bonneville Response:

During Bonneville's public process it shared the principles it plans to use in evaluating participation in the binding program (Phase 3B) decision. These principles are:

1. BPA's participation is consistent with its statutory, regulatory and contractual obligations.
2. BPA will maintain reliable delivery of power and transmission to its customers.
3. BPA's participation is consistent with a sound business rationale.
4. BPA's participation is consistent with the objectives of Bonneville's Strategic Plan.
5. BPA's evaluation of NWPP RA participation includes transparent consideration of the commercial and operational impacts on its products and services.

Bonneville appreciates PPC's holistic approach to evaluating its engagement in regional markets and programs with their own principles. Bonneville looks forward to discussions with customers on the appropriate principles for participation in resource adequacy and other regional markets and programs.

Comment #3:

PPC states: "We would like to explore with BPA what would happen today vs. in the RA program under various scenarios."

Bonneville Response:

Bonneville welcomes scenario based questions and will work collaboratively with PPC to address potential scenarios over the course of Phase 3A.

Comment #4:

PPC raised the question: "Are there any circumstances, either in the planning or operational stages, where, by virtue of participating in the RA program, a non-preference customer would have access to the Federal system capacity before a preference customer, or would be allocated a share of that capacity pro rata? Why or why not?"

Bonneville Response:

Bonneville is obligated to provide notice to preference customers regarding proposed offers to sell available surplus capacity and Bonneville interprets PPC's question regarding "access to Federal System capacity" in relation to Bonneville's notice obligation. Bonneville's notice obligation to preference customers will not be affected by participation in the Western Resource Adequacy Program. Bonneville will provide notice to preference customers if Bonneville determines that it has surplus capacity that can be offered for sale. If Bonneville is determined to have surplus capacity and there is a competing request for that surplus between a preference

entity and a non-preference entity, Bonneville will supply such capacity to the preference entity in accordance with section 4(a) of the Bonneville Project Act. The Western Resource Adequacy Program itself does not establish offers of power between buyers and sellers. Similarly, regional preference will be adhered to if there is a competing request between a regional preference customer, which can be a public body customer, investor-owned utility customer, or a Direct Service Industrial customer, and a non-regional entity.

Comment #5:

Northwest Requirements Utilities (NRU) states: “BPA...should work with the Northwest Power Pool and other stakeholders to revise the Detailed Design document so that Load Following customers either have a guaranteed seat on the Program Review Committee or are otherwise guaranteed adequate participation in the RA Program governance structure after Phase 3A of the program.”

Bonneville Response:

Load Following from Bonneville guarantees the firm power supplied by Bonneville is available to meet the customers’ net requirements firm power load. That supply includes both energy and capacity. Under this product, Load Following customers do not have a resource adequacy obligation because that obligation lies with Bonneville. The program design will continue to evolve throughout Phase 3A as participants gain experience and understanding of the program. Correspondingly, how committee membership appointment will be made has not yet been finalized as part of the Governance structure. If, however, Bonneville customers qualify under the requirements for the committees, then they should be considered for membership. The NWPP intends to continue hosting public engagement workshops throughout Phase 3A which will be an opportunity for stakeholders to provide input on committee membership requirements.

Comment #6:

Northwest Energy Coalition (NVEC) states: “We believe the WRAP proposal offers potential value for addressing these challenges, but it is necessarily complex and evolving. It is important that program participation be compatible with Bonneville’s existing power and transmission contractual requirements, but also with its statutory obligations including protection of fish and wildlife resources.”

Bonneville Response:

During the continued design work for Phase 3A, Bonneville will continue to evaluate the statutory, contractual, operational, and policy implications of Bonneville’s potential participation in the Binding Program.

Comment #7:

NRU states: “Because BPA would be participating in the RA Program for the reliability of, and on behalf of, Load Following customers, it is NRU’s initial view that all costs and benefits of BPA’s participation in the program should accrue to Load Following customers. That said, we understand that there is currently no “Load Following-only” cost pool within the TRM. Therefore, the non-Slice cost pool may be the appropriate place for RA Program costs and benefits to accrue in the near term. Post-2028, it may be appropriate to create a cost and benefit pool related to the RA program exclusively for Load Following customers.”

Bonneville Response:

Bonneville agrees. As the agency gains additional information and evaluates Phase 3B participation, it expects that the cost and benefits of the Binding Program inure to Bonneville's obligation to assure a firm power supply under its Load Following and Block power products. Accordingly, Bonneville expects the anticipated costs and benefits of the Binding Program would accrue to the non-slice cost pool.

Comment #8:

Alliance of Western Energy Consumers (AWEC) requests that: "BPA commit to potentially conducting a mini-7(i) process in accordance with the Northwest Power Act during the BP-22 period to explore the myriad aspects of the more impactful binding FS Phase 3B portion of the NWPP RA Program prior to issuing its final decision regarding participation in Phase 3B of the program."

Bonneville Response:

A mini-7(i) process is not needed as any cost and/or benefits associated with Bonneville's participation in the Binding Program are associated with Bonneville operations and will be covered by net revenues for risk and/or realized as secondary revenue or a reduction in Bonneville forward capacity resource acquisitions. As such, Bonneville does not anticipate the need to conduct an expedited Northwest Power Act section 7(i) proceeding to revise rates at this time.

Comment #9:

AWEC states: "According to BPA, the decision to participate in Phase 3B will take place in fall/winter 2022, with binding FS by March 31, 2023 and a cure period that falls within the BP-22 rate period. This timing is concerning absent a rate case to further flesh out the rate impacts of the binding FS phase."

Western Public Agencies Group (WPAG) also states: "...we note that the draft decision letter states that BPA will issue a final decision regarding whether to join the RA program's binding phase 3B by the fall/winter of 2022. The proposed timeline may prove difficult to meet."

Bonneville Response:

Please see response to Comment #8 regarding the request for a rate proceeding. Regarding the schedule, Bonneville acknowledges the schedule is ambitious, but it is not fully within Bonneville's control and will be determined in collaboration with the NWPP and other Western Resource Adequacy Program participants. If the Western Resource Adequacy Program schedule changes, then Bonneville's schedule will also change. Bonneville will work with its customers throughout Phase 3A to address issues and concerns to help expedite any decision making in late 2022.

Comment #10:

Snohomish County PUD No. 1 (Snohomish) states: "Bonneville's customers must also have an understanding of how the proposed Resource Adequacy Program fits within Bonneville's statutory and contractual obligations, including the preference rights of customers to both energy and capacity."

Bonneville Response:

The development of the Western Resource Adequacy Program is another tool or resource available to Bonneville (and other participants) to assure their resources are adequate to meet their load demands. As such, it does not impose any additional obligations on Bonneville or its resources that implicate the statutory or contractual concerns raised by Snohomish. Even so, Bonneville's decision to move forward is well founded in its statutes. Congress granted Bonneville broad authority "to operate with a business-oriented philosophy."⁹ The program described above falls squarely within that authority in that it will economically support both current and future reliability for Bonneville's customers. In addition, the Western Resource Adequacy Program supports the purposes of Bonneville's organic statutes, like the general purposes of the Pacific Northwest Electric Power Planning and Conservation Act, which includes assuring "an adequate, efficient, economical, and reliable power supply."¹⁰ The Western Resource Adequacy Program may also provide another means by which Bonneville meets its purpose "to encourage the widest possible use of all electric energy. . . ."¹¹ Together these, and other statutory provisions, establish that Bonneville has a very broad power marketing mandate that directs Bonneville to meet its firm power customer needs first, but to also market power that is surplus to those needs.¹² Bonneville believes the development of a program, like the Western Resource Adequacy Program, holds promise to help Bonneville meet its obligations and fulfill its statutory purposes. At this stage, there is no basis for Bonneville to forgo participating in this program, particularly given the program is not yet finalized or binding.

As noted above, an important interest Bonneville has in the development of the Western Resource Adequacy Program is the promise it offers in helping Bonneville meet its long-term power sales contract obligations to supply firm power to its regional power customers. A core statutory obligation of Bonneville is to partake in resource planning and to acquire the resources required by Bonneville to supply the demand for power placed on Bonneville through its firm power sales contracts.¹³ Demand for power is expected to continue to grow while the spot market is expected to have increasing periods of scarcity and price volatility. Similarly, there are some Bonneville customers that have resource concerns for assuring they have adequate non-Federal resources available to meet their load demands beyond their Federal power supply. They share the concern that reliance on, and use of, the spot market to source short-term supply needs is becoming much more volatile as large thermal projects throughout the West are replaced by non-

⁹ See *Assoc. of Pub. Ag. Customers v. Bonneville Power Admin.*, 126 F.3d 1158, 1171 (9th Cir. 1997).

¹⁰ See Northwest Power Act, 16 U.S.C. § 839(2).

¹¹ See Bonneville Project Act, 16 U.S.C. §832a(a).

¹² See *e.g.*, 16 U.S.C. § 839c(f) ("The Administrator is authorized to sell, or otherwise dispose of, electric power, including power acquired pursuant to this and other Acts, that is surplus to his obligations incurred pursuant to subsections (b), (c), and (d) of this section in accordance with this and other Acts applicable to the Administrator . . ."); See also 16 U.S.C. § 839f(c) (explaining that surplus electric energy and surplus peaking capacity is energy or capacity "for which there is no market in the Pacific Northwest at any rate established."; see also 16 U.S.C. § 837(c)-(d) (defining "surplus energy" and "surplus peaking capacity" as energy or capacity that would be "wasted because of the lack of a market. . .").

¹³ See, *e.g.*, the Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. § 839 et seq., 16 U.S.C. § 839b(g)(1) (section 4(g)(1) regarding regional power policies and public involvement); and 16 U.S.C. § 839d(a)(2) (" . . . the Administrator shall acquire, in accordance with this section, sufficient resources-- to meet his contractual obligations that remain after taking into account planned savings from measures provided for in paragraph (1) of this subsection. . .")

dispatchable variable energy resources. This shift in the resource mix creates challenges for LREs and their ability to meet the expected peak load demand over the coming years. Thus it is prudent and reasonable for Bonneville to get ahead of the issue before there are problems.

Bonneville understands its preference customers' concerns over preference and how it may be applied in the case of the Western Resource Adequacy Program. As already addressed above in responses to comments, Bonneville expects nothing about the program would impact, impair, or impede Bonneville from giving preference and priority to its preference customers. During the continued design work for Phase 3A, Bonneville will continue to evaluate the statutory, contractual, operational, and policy implications of Bonneville's potential participation in the Binding Program.

Comment #11:

PPC asks: "Has BPA studied the impacts of participating in the program post 2028? Would BPA have sufficient capacity to cover its obligations under the program if all customers change to the load-following product?"

Bonneville Response:

Bonneville has a very broad power marketing mandate that directs Bonneville to meet its firm power customer needs, which is impartial to the product type chosen by preference customers. If all customers change to the load-following product, Bonneville simply has a different firm power obligation. Bonneville will continue to ensure (as it has historically done) that there is adequate supply of power to meet Bonneville's firm power obligations through the agency's programs, marketing strategies, and current/future resource strategies. The details of the Western Resource Adequacy Program are still under development, but Bonneville expects that any participating entity will have the option to exit the program under certain conditions. Those conditions will be finalized before Phase 3B of the program begins, and Bonneville's evaluation for potential participation in Phase 3B will take those conditions into consideration.

Comment #12:

PPC asks: "Does BPA have the legal authority to pay penalties or fines associated with its participation in WRAP and would it require any waiver of sovereign immunity?"

Bonneville Response:

Bonneville has not reviewed any proposed program rules from the Western Resource Adequacy Program that specifically address the operation of penalties. As they are developed, Bonneville will review elements of the program rules that address costs and potential penalty structure to ensure that Bonneville's participation would be consistent with its statutory authorities and status as a Federal entity. The program rules may need an exception as applied to Bonneville.