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May 9, 2023

MEMORANDUM

TO: Power Committee

FROM: Jennifer Light

SUBJECT: History of Bonneville Contracts

BACKGROUND:

Presenter: Tim Johnson, General Counsel's Office, Bonneville Power Administration

Summary: Bonneville has been working on the Provider of Choice, its process for designing and offering new long-term power sales contracts for the post-2028 period. In March, Kim Thompson, VP of Northwest Requirements Marketing, provided an overview of this process and the main discussion points Bonneville is having with the region. At this upcoming Power Committee, Tim Johnson will take a step back to provide some broader context on the history of Bonneville's contracts. This includes context on Bonneville's obligations for serving loads placed upon them under the Northwest Power Act and how the contracts have evolved over time. This context provides useful background for understanding many of the key policy discussions Bonneville is having with the region today.

Relevance: The policy direction developed through the post-2028 discussion process will dictate the direction of public power resource acquisition in the years to come. Bonneville is preparing to release its draft policy record of decision (ROD) in late July, which will be followed by a stakeholder comment period. The final policy ROD is expected in early 2024.

Workplan: Coordinate with regional utilities on integrated resource planning and other activities relevant to the Council's planning efforts.

Background: Provider of Choice is Bonneville's name for the post-2028 contract negotiations and is part of Bonneville's broader Post-2028 Initiative. Current contracts, called Regional Dialogue contracts, began in 2008 and expire in 2028. In July of 2022, Bonneville released a Provider of Choice Concept Paper that launched the policy development to inform future product offerings.

Since then, Bonneville has worked with the region to refine and finalize a policy for the post-2028 contracts by early 2024. This will then lead to actual contract development, with a goal of signed contracts by the end of 2025, well ahead of the start of power delivery in 2028.

Discussion so far has focused on replicating the Regional Dialogue template: contract duration of 20 years with a focus on preserving the benefits of the Federal Based System (FBS) – the output of the federal hydropower system and Columbia Generating Station. Based on current discussions, it appears likely that Bonneville will continue the concept of the tiered rate structure to then allocate the output of the FBS. Both the Regional Dialogue contracts and the post-2028 contract negotiation processes differ from the shorter duration "subscription" contracts that focused on Bonneville acquiring resources and then melding those costs into the FBS. The final term and shape of the contracts is still to be determined.

More Info: Provide of choice website: <https://www.bpa.gov/energy-and-services/power/provider-of-choice>