

MEMORANDUM



August 26, 2022

PNGC is a wholesale G&T that serves 16 retail electric cooperatives entitled to preference power from BPA. PNGC is a statutorily organized Joint Operating Entity and as such is the second largest power customer of BPA.

PNGC has serious concerns and reservations about key aspects of BPA's August 16, 2022 Provider of Choice presentation. We do not see several of the elements as being consistent with either statute or the reality of the future we all face together. We understand that BPA has been clear this is just a starting place for the discussion. Accordingly, we are providing our primary observations at this point in the process, listed below.

1. **Unspecified Resource's for Post 2028 CHWM's**

BPA staff confirmed during the 8/16 presentation consideration is being given for deducting Unspecified Resources from customers' net requirements for the Post 2028 contract. This would include short term market purchases. This is a huge policy shift from the current world where only Specified Resources are deducted from net requirements. In addition, BPA indicated it could change the September 30, 2026 date if they desired, and that date wasn't a firm cutoff date. This policy shift and lack of clarity introduces an enormous amount of uncertainty into the post 2028 process. Customers are left in a deer in the headlights position going into this process with neither the measurement date nor resource type rules known for customers to begin planning. By default, customers have no option but to put all Tier 2 obligations on BPA, or risk getting a Tier 1 decrement due to short term market activity. Additionally, this poses an interesting issue for slice/block customers. If BPA decides to decrement Load Following Unspecified Resources, parity will require BPA to do the same for the Slice/Block unspecified resources/market purchases. Finally, it is unclear what BPA intended with this major policy shift, and we hope BPA provides the needed certainty on these issues so customers can make informed decisions in preparation for the next contract.

2. **Post 2028 CHWM's**

On slide 31 in the 8/16 presentation, BPA indicated if customers could not agree to pro-rata scaling of all CHWM's under a FY26 reset, that the fallback could be that customers can keep 50% of their 2010 CHWM, while 50% of the load growth over the RD contract would be Tier 2 load at the start of the next contract. PNGC does not support this policy, as it would treat customers' net requirements load differently based on when the load was energized. All eligible net requirements load in FY2026 should be treated on the same level playing field with equal access to the Tier 1 rate. Load should not be separated into different rate treatments based upon when load was energized (pre 2010 vs post 2010). BPA customer net requirements can and do change over the course of time and different contract periods. This is not consistent with BPA's statutory requirements to serve net requirements (capacity and energy) at cost-based rates, period.

3. **CHWM Headroom Granted for Conservation**

We acknowledge the considerable debate that has transpired regarding how to acknowledge conservation in the next contract. We think that BPA's proposal to focus on current and future activity rather than past activity, as well as the focus on self-supply are the appropriate and equitable approaches to acknowledging conservation efforts through the granting of Tier 1 "headroom" at the outset of the next contract. This forward-looking approach creates a clear incentive to continue conservation through the remainder of this contract and helps offset potential augmentation needs that could be placed on BPA. Conservation has created considerable value to many customers over the course of the RD contract by creating CHWM headroom that insulates them from Tier 2 price volatility. Some communities have made their own policy decisions to do more conservation than BPA has deemed as both needed and cost-effective based on governing body recommendations, state mandates, or because it is consistent with their values. The cost associated with those decisions should remain in the communities that have made these decisions. Focusing on just the self-supply aspect of conservation acknowledges the value this activity brings to the region and doesn't reflect "double-counting" of conservation efforts already reimbursed by BPA. Further, the forward-looking aspect lays out a clear opportunity that all preference customers can act upon, while still providing advantage to utilities that already have robust EE programs in place (as it takes time to get them up and running) and that seems fair.

A final point regarding conservation is that Energy Efficiency is treated as the first resource BPA can acquire to meet preference load. In that context, it should be treated similarly to public power investments in other resources, which also reduce the need for BPA to augment the system in the future.

Thank you.