



Department of Energy

Bonneville Power Administration
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POWER SERVICES

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In reply refer to: PS-6

To Customers interested in **Post-2028 Residential Exchange Program**:

Among BPA's high priorities is preparing for the Residential Exchange Program implementation after the current 2012 REP Settlement expires in 2028. BPA, customers and stakeholders have significant preparatory work ahead.

This letter serves to notify the region regarding BPA's REP engagement approach and plan.

The REP administers section 5(c) of the Northwest Power Act, which provides residential and farm consumers of higher-cost Pacific Northwest or regional utilities access to the financial benefits of low-cost federal power. The 2012 REP Settlement resolved long-standing litigation concerning REP administration. Among other components, the 2012 REP Settlement established a fixed stream of REP payments to REP-participating Investor Owned Utilities as a group until 2028. This has provided stable and predictable REP costs and benefits to the region while avoiding ongoing litigation. The REP is a significant component of BPA's revenue requirement and, in the absence of a settlement, its costs (and the REP benefits BPA pays) can vary significantly from rate period to rate period. BPA anticipates that future stability and predictability of REP costs and benefits will be valued by both IOU and public utilities.

With this context, BPA intends to engage regional parties to develop a pathway for future REP implementation well before the 2012 REP Settlement expires on October 1, 2028. As described in the BPA Provider of Choice Concept Paper, BPA is planning a two-phased approach for developing the post-2028 REP implementation: (1) a regional REP settlement phase; and, if the settlement phase is unsuccessful, (2) a traditional REP preparation phase.

The REP settlement phase will take place between September 2022 and September 2025 and will include three distinct sub-phases:

- 1) dry run and preparation,
- 2) contract negotiation (settlement negotiation period), and
- 3) settlement evaluation process and decision (section 7(i)).

In the event a settlement is not reached prior to the summer of 2025, BPA will proceed with the second phase, which includes traditional REP preparation, to inform the BP-29 Rate Case proceeding.

The settlement phase will begin with a workshop on September 27, 2022. BPA will then host monthly public workshops through May 2023 to engage and educate interested parties.

The first workshop will ground participants on the REP's foundational elements, the Rates Analysis Model used to run the 7(b)(2) Rate Test, and the relative impact on REP benefits from various interpretations and assumptions. BPA will produce a "dry run" of REP benefits using BP-22 data. During this initial phase, participants will have an opportunity to inform and influence the working list of scenarios and assumptions that will be used in the REP contract negotiation phase.

At the conclusion of the dry run and preparation sub-phase, BPA will have the main scenarios defined for the REP contract negotiations sub-phase. In turn, regional stakeholders and participants should be familiar with the assumptions, operation and functionality of the 7(b)(2) Rate Test. BPA believes this is an important step in preparing stakeholders for productive REP contract negotiations.

Additional information including workshop dates and material can be accessed at <https://www.bpa.gov/energy-and-services/power/residential-exchange-program>.

Questions, comments or requests pertaining to the Post-2028 REP process can be sent to REP2028@bpa.gov.

Sincerely,

Kim Thompson
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