

Subject: [EXTERNAL] UEC's comments and questions regarding BPA's proposed implementation of the WPP WRAP

Umatilla Electric Cooperation (UEC) is a BPA load following customers with a diverse load profile, including significant New Large Single Loads (NLSL) and Above Rate Period High Water Market (AHWM) loads. UEC is keenly interested in BPA's participation in the Western Resource Adequacy Program (WRAP) and the potential impacts on UEC and the membership it serves. UEC offers the following questions and comments in the hope of better understanding BPA's intention. UEC sees the WRAP as an important tool for improving the reliability of the region's Balancing Authority Areas and is generally supportive of the effort. However, BPA's implementation of WRAP, and the potential costs of doing so which may be borne by UEC's membership are important factors in our decision of whether to voluntarily participate in the WRAP in the coming years during both the current and the post-2028 contract periods. UEC remains unclear on the potential costs and benefits to its member loads participating in the WRAP. As discussed in the workshops, the risk to load service for UEC's members who fall within the BPA categories of AHWM and NLSL do not most frequently occur prior to the preschedule window. Rather, they most frequently occur between preschedule and the scheduling hour. UEC again encourages BPA to clearly articulate the potential costs and benefits to UEC's members of WRAP participation.

As BPA nears the point when it will move from an educational phase to the decision phase, i.e., a formal decision on the Binding Phase starts in September, we encourage BPA to develop its analysis with consideration of at least two timeframes: (1) the benefits and risks to customers during the Regional Dialogue contract term, and (2) the benefits and risks to customers thereafter. By doing so, BPA will be better able to consider the rates, terms, and conditions that are particular to executed, long-term contracts currently in force separately from anticipated rates, terms, and conditions associated with the post-2028 contracts. This analysis will permit BPA's customers like UEC to make informed decisions regarding the participation of the loads they serve currently, and in the future.

UEC is quite concerned that BPA is requiring customers who signed Regional Dialogue contracts which remain in force until 2028 to discuss and resolve credits/penalties in the BP-24 rate case setting (covering Fiscal Years 2024-25) for services and obligations that were never a part of the contract, but now are "required" due to BPA's potential and entirely elective participation in a voluntary Resource Adequacy program. The disconnect between current contract rates, terms and conditions and the WRAP has not been adequately considered or articulated. In terms of BPA re-aligning the Regional Dialogue elections with the WRAP, we are very pleased that BPA may present at its September 12th meeting a detailed timeline that would outline decision dates and how proposed elections would be managed. UEC's experience is that these elections are not trivial and take significant staff time to consider and prepare. UEC is supportive of BPA's allowance for the load exclusion process to allow both load exclusion and load inclusion, recognizing there will be deadlines associated with those decisions. Also, we continue to be interested in reviewing the exclusion request form that will be required under the WRAP.

BPA has indicated that it will complete its analysis of the FCRPS Qualifying Capacity Contribution (QCC) by mid-September 2022, however, it has concluded that it has enough QCC for all of its LRE, including NLSL loads through the end of the Regional Dialogue term. BPA has also indicated that it is still "open to consideration" for allowing NLSL and A-RHWM loads included in the WRAP to be served with unspecified resources without charges, credits, or lack of credits, but, at this time, it believes that doing

so may impose costs or cost shifts between customers. While it is encouraging that BPA's joining the WRAP may not result in the imposition of incremental costs or the absence of credits, that outcome is not assured. Further, the disconnect between BPA having sufficient QCC on a planning basis, but then asserting a risk of unidentified cost-shifts as the basis for creating and allocating to BPA customers credits and penalties needs far better articulation - including the contractual basis for doing so in the current contract period. Respectfully, there cannot be a "credit" for NLSL WRAP participation without an accompanying cost, and it is reasonable to characterize that cost which will be allocated in BP-24 to some or all of BPA's preference customers as a "penalty".

Please provide more details regarding how loads served with unspecified resources will impose costs on the customers of the Federal power system, whether Tier 1 or Tier 2 (or other resource pools for that matter). In addition, please identify the benefits, by way of avoided costs, that BPA anticipates will be realized by Tier 2 customers as a result of some preference customers choosing to serve these loads with unspecified resources.

UEC recognizes that BPA is distinguishing between NLSLs and A-RHWM loads. Contractually, both NLSL and A-RHWM can be served with specified or unspecified resources. The former, BPA has explained, is prohibited from being served with Federal power; the latter can be served with Federal power, i.e., Tier 2 or non-Federal generation. Under the WRAP, NLSLs that are being served with unspecified resources may be excluded from the WRAP without penalty. However, A-RHWM load cannot be excluded, and to the extent this load is served with unspecified resources, BPA has articulated a plan to financially penalize customers who do so (through a credit exclusion), notwithstanding the long-standing contractual right in the Power Sales Agreement to do so without penalty.

Why is BPA not allowing the exclusion of A-RHWM load? Please identify the costs and benefits that would be realized by Tier 2 customers as a result of some customers serving AHWM loads with unspecified resources. For example, as a result of serving AHWM loads with unspecified resources, it appears that there would be less need for BPA to purchase/secure incremental power (whether physical resources or market purchases) for higher Tier 2 loads.

In the July 26th presentation, BPA indicated that joining the WRAP introduces issues that may affect product offerings under the anticipated Provider of Choice contracts. BPA indicated the need for "new planning requirements around the accounting and application of non-Federal resources, both specified and unspecified." Please further elaborate on what new planning requirements, accounting and application(s) are being contemplated for the post-2028 contracts.

In the Provider of Choice discussion, BPA has indicated that it wants to encourage resource development by preference customers. This appears to be in conflict with also allowing customers to serve some loads with unspecified resources. For example, if UEC secures physical, non-federal renewable resources for A-RHWM load and then manages the capacity factor of the renewable generation with unspecified (market) resources, it appears that BPA will financially penalize UEC for that arrangement under its proposed implementation of the WRAP. Has BPA considered allowing a specified portion of load to be served with unspecified resources?

Thank you for the opportunity to comment. UEC looks forward to further discussion of the issues raised by BPA's potential, voluntary and elective participation in the WRAP.

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