



DEPARTMENT OF ENERGY

Bonneville Power Administration

Provider of Choice Policy and Record of Decision

AGENCY: Bonneville Power Administration (Bonneville), Department of Energy (DOE).

ACTION: Notice of policy and record of decision.

SUMMARY: Bonneville released its Provider of Choice Policy (Policy), which addresses the Agency's regional firm power sales policy for fiscal year 2029 through fiscal year 2044. The Policy will shape Bonneville's long-term power sales contracts following the expiration of current long-term Regional Dialogue contracts on September 30, 2028. The Policy describes the Agency's products and service offerings for the next contract period and how the Agency proposes to distribute the costs and benefits from its system of Federal resources, which includes the Federal Columbia River Power System, the Columbia Generating Station, as well as non-Federal resources. Alongside the Policy, Bonneville released a record of decision.

DATES: On March 20, 2024, John Hairston, Administrator and Chief Executive Officer of the Bonneville Power Administration signed the Provider of Choice Record of Decision.

ADDRESSES: The Provider of Choice Policy and Record of Decision are available on the Bonneville website at <https://www.bpa.gov/energy-and-services/power>. Copies are also available by contacting the Bonneville Public Information Center at 1-800-622-4520.

FOR FURTHER INFORMATION CONTACT:

David Wilson, DK-7, BPA Communications, Bonneville Power Administration, P.O. Box 3621, Portland, Oregon 97208; by phone toll-free at 1-800-622-4519; or by email to communications@bpa.gov.

Responsible Official: Kim Thompson, Vice President for Northwest Requirements

Marketing is the official responsible for the development of Provider of Choice Policy and contracts.

SUPPLEMENTARY INFORMATION:

The Provider of Choice Policy's (Policy) primary focus is setting the framework for sales of electric power pursuant to section 5(b) of the Northwest Power Act to public power utilities and Federal agencies that qualify for service at a Priority Firm (PF) power rate.

The Policy addresses at a high-level how Bonneville would serve other qualified customers but many of the details are specific to PF-service. The Policy addresses how Bonneville will determine its load obligations and outlines proposed products and services.

Bonneville released a draft Policy on July 20, 2023. Bonneville published a notice in the *Federal Register* on July 24, 2023, and opened a public comment period from July 20, 2023, to October 13, 2023. 88 FR 47487. Bonneville received over 16,850 comments, the vast majority of which were form letters or variations of the form letter submission. Bonneville reviewed these comments and documented its deliberations in a record of decision that explains what changes were made as well as which commenter proposals were not adopted in the Policy. Bonneville's Policy reflects changes made based on the comments received.

The Policy establishes Bonneville decision to develop contracts based on a tiered PF rate construct for the Provider of Choice contract period. The tiered rate construct sets a framework for an allocation of costs, not an allocation of power. Under the two-tier rate design and Provider of Choice contracts, customers will be entitled to purchase firm power to serve PF-eligible load up to a contractually defined amount, referred to as the customer's Contract High Water Mark (CHWM), at the applicable PF Tier 1 rate.

Customers may also purchase firm power for any PF-eligible load above a customer's

CHWM, referred to as the customer's Above-Contract High Water Mark (Above-CHWM) load. A customer may elect to serve their Above-CHWM load either with firm power from Bonneville at a PF Tier 2 rate, from its own dedicated resources, or both. The specific terms and provisions of the tiered rate construct will be established in the 2029 Public Rate Design Methodology (PRDM), which will be determined in a separate process.

In the Policy, Bonneville establishes how it will calculate Provider of Choice CHWMs. The calculation recognizes customer investments in conservation and non-Federal resources in support of the prior long-term Regional Dialogue Policy and contracts. The calculation also adjusts CHWMs in recognition of certain circumstance relative to the changing energy landscape and customers' needs. Bonneville will not revisit the calculation in a future process or in the Provider of Choice contracts.

One of the Policy's goals is to offer customers flexibility to invest in and use non-Federal resources to serve their retail load growth needs. Bonneville balances the flexibility offered with the tiered rates foundational tenet to insulate customers from costs associated with other customers' resource choices for serving load growth. Bonneville offers several carefully constructed non-Federal resource flexibilities to provide customers with opportunities to invest in non-Federal resources while limiting the cost impact to other customers.

Under the Policy, Bonneville recognizes the need for added flexibility around customers' non-Federal resources and permits customers to add a defined amount of non-Federal resources to offset their CHWM load. This will reduce the amount of power a customer is obligated to purchase from Bonneville without triggering take-or-pay provisions and without reduction to the customer's associated CHWM. Bonneville will also not track non-Federal resources with a nameplate capacity of less than one MW in the contract. Customers will retain the ability to serve their Above-CHWM load with non-Federal

resources. Finally, Bonneville will continue to propose to recover the cost of a limited amount of transfer service in the PF Tier 1 rate for non-Federal resources for its customers that are served off third-party transmission systems.

The Policy addresses why Bonneville cannot offer a 100% carbon-free product at this time. Bonneville addresses some of the barriers to offering such a product and commits to continuing to look for ways to further improve its nearly carbon-free emissions rate.

The Policy also addresses how Bonneville is proposing to approach its conservation (energy efficiency) program after Oct. 1, 2028.

The Policy does not address how the products and services described will be priced.

Bonneville has started the PRDM process to discuss rate designs and pricing. The PRDM will replace Bonneville's Tiered Rate Methodology that expires on Sept. 30, 2028. The PRDM and subsequent Northwest Power Act section 7(i) rate proceedings will determine rates for the products and services offered under the Provider of Choice contracts.

Following the Policy release, Bonneville will initiate a follow-on process to implement the Policy through negotiation and development of contracts with the goal to offer and execute new long-term contracts by late 2025. Bonneville will additionally update other business processes to ensure implementation of the Policy, including the PRDM.

Bonneville will use the time between contract execution and the start of power deliveries on Oct. 1, 2028, to ready systems to ensure a smooth transition between contracts.

Signing Authority: This document of the Department of Energy was signed on March 12, 2024, by John Hairston, Administrator and Chief Executive Officer of the Bonneville Power Administration, pursuant to delegated authority from the Secretary of Energy.

That document with the original signature and date is maintained by the Department of Energy. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned Department of Energy Federal Register

Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the *Federal Register*.

Signed in Washington, DC on March 13, 2024.

Treena V. Garrett,
Federal Register Liaison Officer,
U.S. Department of Energy.

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