



December 15, 2015

Garry Thompson
Vice President of Northwest Requirements Marketing
Bonneville Power Administration
911 NE 11th Avenue
Portland, OR 97232

**Re: NRU Proposal to Allow Customers to Opt Out of Tier 2 Load Growth Rate,
Effective FY 2020**

Dear Garry,

Northwest Requirements Utilities (NRU), as a representative of 54 Load Following customers, requests an amendment to the contractual provisions governing the use of the Tier 2 Load Growth Rate. This amendment would allow interested customers to opt out (by providing notice by September 30, 2016) of the BPA Tier 2 Load Growth Rate starting in FY 2020. Nineteen members of NRU have signed up for the Load Growth Rate, and of those members, a majority have indicated a strong interest in pursuing the Load Growth Rate opt out proposal that is described below. The NRU members reviewed and approved this proposal at our November 2015 Board meeting. Our preference would be to have a formal response from BPA by February 2016 to provide sufficient time for governing bodies to consider this as an option.

Overview of NRU's Proposal

BPA should allow customers that have elected to use the Load Growth Rate to ***opt out*** of using the Load Growth Rate starting in FY 2020 through the end of the Regional Dialogue contract in FY 2028. Customers would provide notice to BPA of this by September 30, 2016. The customer would be able to use the Short Term Rate, Vintage Rate¹ and/or non-federal resources to serve its Above Rate Period High Water Mark Load (A-RHWML) in FY 2020-2028. As a precondition, BPA would affirmatively state it has ***not incurred any costs*** associated with serving the Load Growth Rate starting in FY 2020 (which we believe is currently the case). Therefore, there would be no financial consequence to customers who elect to opt out of the Load Growth Rate effective FY 2020, by providing such notice by September 30, 2016. There would also be no cost shifts or any other impacts to other customers as a result of this proposal.

¹ Vintage Rates are made available by BPA on occasion. If a customer wants to purchase a Tier 2 rate other than the Load Growth Rate, it will be the Short Term Tier 2 Rate.

Background

BPA Load Following customers had the option in 2009 and 2011 to select the Load Growth Rate to serve their A-RHWML through FY 2028.² The Regional Dialogue contract allows for a customer to opt out of continued participation in the Load Growth Rate by providing 11 months notice prior to any upcoming Rate Period,³ but under fairly restrictive terms:

- The customer must continue to purchase the amount of power at the Load Growth Rate it purchased in the last year of the Rate Period prior to notification. For example, if a customer purchased 1.2 aMW at the Load Growth Rate in FY 2019, it must continue to purchase 1.2 aMW per year at the Load Growth Rate through FY 2028.⁴
- The customer must serve its remaining A-RHWML only with non-federal resources for the remainder of that Purchase Period *and* the next Purchase Period. In the example above, this means the customer would serve the first 1.2 aMW of its A-RHWML at the Load Growth Rate and then only use non-federal resources and lose access to any of BPA's Tier 2 Rates for any incremental amount through FY 2028.⁵

NRU developed this proposal in response to the overall economic and market conditions and other factors that have changed since customers elected the Load Growth Rate in 2009 or 2011, such as:

- A-RHWML have not materialized to the extent forecasted at the time.
- BPA has limited experience in its purchases to serve the Load Growth Rate (for example, BPA made a market purchase through FY 2019 for load that has not materialized and at a price higher than it can be remarketed).
- Large amounts of variable energy and energy efficiency have changed today's market dynamics and load growth expectations.
- A number of utilities have new management teams in place that would like to revisit a long-term resource decision made by prior leadership under different circumstances.

NRU Proposal

NRU proposes the following:

1. A customer may elect to fully opt out of the Load Growth Rate, starting in FY 2020, by providing notice by September 30, 2016.
2. Customers who opt out would have no Load Growth Rate purchase obligations after FY 2019.

² Such election is contained in Exhibit C, Section 2 of the Regional Dialogue contract.

³ Regional Dialogue Contract, Exhibit C, Section 2.2.4.1.

⁴ This amount is called the "Continued Purchase Amount." Regional Dialogue Contract, Exhibit C, Section 2.2.4.2.

⁵ Regional Dialogue Contract, Exhibit C, Section 2.2.4.3. The two applicable Purchase Periods are FY 2020-2024 and FY 2025-2028.

3. BPA would not make any purchases for the Load Growth Rate until after September 30, 2016.
4. Customers who opt out would be able to use the Short Term Rate, Vintage Rate, and/or non-federal resources to serve A-RHWML in FY 2020-2028, and will follow the standard contract requirements and terms as if they had never elected the Load Growth Rate.
5. BPA would make this opt out option available to customers by informing them by February 2016. This would provide utilities sufficient time to consider this option with their governing bodies prior to the September 30, 2016 notice deadline.

This proposed opt out contract amendment offering is optional—customers who would like to stay with the Load Growth Rate would not see any change to their service and would not be required to take any action.

NRU believes this can be accomplished with minimal amendments to section 2 of Exhibit C of the Load Following Regional Dialogue Contract. NRU would be happy to provide the specific modifications we believe would be necessary to implement this opt out proposal.

Proposed Next Steps

In order for BPA to provide a response by February 2016, we would anticipate BPA initiating a public process in the very near future to receive comments from any other interested parties regarding the proposed contract amendment. Following the conclusion of the comment period, the contract amendment would be offered to all customers that take service under the Load Growth Rate.

NRU staff has discussed this proposal with other customer groups representing Load Following customers, including PNGC Power, WPAG and PPC. We are unaware of any opposition to this proposal from those organizations or other customer groups and are happy to discuss our proposals with anyone who would like more information.

If you have any questions, please let us know. We look forward to working with BPA on this issue.

Best regards,



John D. Saven, CEO

CC: Elliot Mainzer, Administrator and Chief Executive Officer, BPA
Mark Gendron, Senior Vice President, Power Services
Scott Corwin, Executive Director, Public Power Council
John Prescott, CEO, PNGC Power
Ryan Neale, Western Public Agency Group