Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

October 19, 2022

In reply refer to: A-7

Subject: Bonneville's draft decision to participate in the Western Resource Adequacy Program Phase 3B

To: Bonneville Customers and Stakeholders

The Bonneville Power Administration (Bonneville) is completing its public process to evaluate participation in the Western Power Pool's Western Resource Adequacy Program (WRAP). Bonneville has been active in the initiative to develop this regional program and is currently participating in Phase 3A, a non-binding informational program. The initiative is now transitioning to Phase 3B, which will be a fully binding program for participating entities. Phase 3B marks the final stage of a regional effort to develop a robust capacity reliability program to take advantage of and maximize regional diversity in resources and load to enhance reliability for customers across the program footprint. We are now seeking customer and stakeholder feedback on our proposal to join WRAP's binding program.

WRAP is the product of a proactive effort by the region to address concerns driven by climate change, thermal plant retirements and additions of intermittent, non-dispatchable resources. The WRAP initiative has developed common planning metrics to increase transparency into resources and transmission needed to reliably supply power to meet existing and future load demands. These metrics have been tested as part of Phase 3A's non-binding program. In Phase 3B, the fully binding program, WRAP participation will require compliance with those metrics, providing a shared foundation to maintain reliable operation of the system.

Bonneville's participation in Phase 3A's non-binding forward showing program has provided experience and knowledge to inform this proposal to join the binding program. Throughout our participation in the WRAP initiative, we have shared our evaluation and consideration of the finalized program design and sought feedback from our customers and stakeholders.

The determination to join the fully binding program would require Bonneville, like any other participant, to make contractual commitments, which include operational requirements and potential for financial consequences for non-compliance. By holding each participant accountable, the expected program benefits include greater reliability and situational awareness, as well as potential cost and resource savings through diversity benefits.

I am encouraged by the collaboration of the Western Power Pool, the Southwest Power Pool as the program operator, and our fellow participants in Phase 3A. I am also encouraged by the direction of the program design and governance proposal, as documented in a tariff filed with the Federal Energy Regulatory Commission in late August. I believe that by continuing to work together, we can unlock additional value from the federal hydropower and transmission systems and enhance the reliability of the region's power supply in the face of more extreme weather events.

I remain focused on adhering to Bonneville's statutory obligations and the interests of our customers and the region, and will evaluate this decision with your input in mind. We are inviting comments on this draft decision through November 17, 2022, and I expect to release a final decision on Bonneville's Phase 3B participation in December.

Sincerely,

JOHN HAIRSTON Digitally signed by JOHN HAIRSTON
Date: 2022.10.19 11:42:18 -07'00'

John Hairston
Administrator and Chief Executive Officer

Draft Decision

Re: Proposal to participate in the Western Resource Adequacy Program

Over the past three years, entities both in the Pacific Northwest (region) and beyond have come together through an initiative facilitated by the Western Power Pool (WPP) to scope and develop a resource adequacy program known as the Western Resource Adequacy Program (WRAP). Participants in this initiative presently are participating in a non-binding phase of WRAP, which the WPP is administering for informational purposes with the goal of ultimately moving to a binding phase. The initiative has now reached the stage where participants must evaluate whether to make commitments to binding participation in the program. For the reasons explained in this letter, Bonneville is proposing to become a binding participant in WRAP.

The energy industry is rapidly changing due to decarbonization in multiple sectors (e.g., energy, housing and transportation) as the region confronts climate change and as energy markets grow and evolve. Traditional carbon-intensive resources are being replaced with cleaner renewable resources that have different generation attributes, profiles, and impacts on the interconnected energy grid than their predecessors. Those engaged in planning for and meeting regional electricity loads, as well as those developing energy markets and policy, must address a heavily balkanized regional grid, changing resource mixes, transmission constraints, increasingly extreme weather events, and a mix of different federal and state policies on energy development, carbon and transmission.

With all of these factors at play, Bonneville supports the development, implementation, and use of resource adequacy standards in the region and broader western interconnection. Bonneville believes that a program designed to address resource adequacy challenges, while enhancing generation reliability in the region, is essential and timely. Moreover, Bonneville believes a regional resource adequacy program offers the potential for (i) making additional capacity available to Bonneville (if and when needed) for use in supplying its customers' load, (ii) assuring above-market value compensation when Bonneville makes capacity available to others through the program, and (iii) creating an opportunity to broaden and enhance the value of the federal hydropower system by marketing its available surplus capacity as meeting resource adequacy program standards through new and existing markets.

Bonneville notes that its proposal to participate in WRAP rests on certain contingencies. Participation in WRAP requires execution of a participation agreement that obligates its signatories to the terms of the WRAP Tariff. The WRAP Tariff requires participants to provide administrative program funding, follow program rules, be subject to financial liability for failure to meet program requirements, and participate in program governance. WPP filed the WRAP Tariff for review and acceptance by the Federal Energy Regulatory Commission ("Commission" or "FERC") on August 31, 2022. As of the date this letter is posted, that review remains pending. Additionally, as discussed below, Bonneville's participation in WRAP will require a non-conforming participation agreement to accommodate its needs as a federal entity. Thus, Bonneville's proposed decision to participate in WRAP is dependent upon the following two conditions: (i) the WRAP Tariff that WPP filed with the Commission is accepted by the Commission without modification that materially changes the WRAP Tariff in a way unacceptable to Bonneville; and (ii) a non-conforming participation agreement that is acceptable to Bonneville is filed with and accepted by the Commission. If these conditions do not occur, Bonneville would need to reconsider its participation.

This letter sets out matters that Bonneville evaluated in reaching its proposal to participate in WRAP and is organized as follows:

- Part I provides background on the need for a regional program to address resource adequacy challenges.
- Part II offers an overview of WRAP, including Forward Showing and Operations Programs, WRAP's governance, deficiency, and delivery failure charges, and the program's tools for addressing uncertainty.
- Part III discusses the earlier phases of the WRAP initiative, including development of the program design and the administration of the non-binding Forward Showing Program.
- Part IV lays out Bonneville's decision process roadmap.
- Part V discusses Bonneville's business case for participation.
- Part VI addresses WRAP's "transition period" and Bonneville's consideration of which season to elect for binding participation.
- Part VII explains Bonneville's expectations regarding the development and filing of a non-conforming participation agreement to address its needs as a federal entity.
- Part VIII analyzes Bonneville's participation decision as applied to its participation principles.
- Part IX summarizes key environmental considerations.
- Part X explains program tools that mitigate risk of uncertainty and conditions that would apply to Bonneville's final decision.
- Finally, Part XI provides a conclusion statement.

Bonneville will make its decision within the framework of a set of five participation principles discussed in Part VIII of this letter. The WRAP Tariff provides a three-year transition plan in which participants are to select a season in which they would become fully binding. If Bonneville's final decision is to join the binding WRAP, Bonneville will also need to identify the season during the WRAP's three-year transition plan in which it will transition from a non-binding participant to a binding participant, as discussed in Part VI of this letter. Bonneville encourages customers to provide comments on the proposed decision to join the binding WRAP, and, in addition encourages customers to comment on the considerations Bonneville will use, as described in Part VI, to determine the season Bonneville should transition from non-binding to binding. **Comments on Bonneville's proposal are due by November 17, 2022.** Customers may submit written comments online at www.bpa.gov/comments. Bonneville will consider written comments submitted to this letter and will make a final decision regarding binding WRAP participation on or before December 16, 2022.

Part I: Resource adequacy challenges and the need for regional coordination

In recent years, utilities within the Pacific Northwest and beyond have become increasingly concerned about having adequate resources and transmission capacity to reliably supply the power needed to meet existing and near-term load demands. These concerns have been driven in large part by retirement of base-load thermal generating facilities and growing development and use of non-dispatchable resources that may not be available at key times to meet system needs. Exacerbating fears about having insufficient power supply to meet existing and future load demands is the concern that the retirement of thermal generating facilities will diminish a spot market that Bonneville and others in the region rely on to supply load. Further adding to the concern is forecasted load growth due to expected electrification across the region, coupled with recent extreme weather events that have contributed to resource adequacy concerns across the country. In some cases, these weather events have resulted in prolonged unplanned power outages and public health and safety crises, including events in California and in Texas in the last two years.

Several Western states, including Oregon and Washington, have passed clean energy laws requiring utilities to transition from relying upon fossil-fueled resources to non-carbon emitting energy resources to serve their retail loads. In recent history, new non-carbon emitting resources have been predominately wind- and solar-fueled variable energy resources (VERs). As these VERs come online and begin energy production, existing baseload energy resources are being called upon to balance the generation produced by the intermittent resources, and particularly to assure peak power demands are met. Recognizing the additional complexity that VERs bring to resource planning and the need to ensure the availability of reliable capacity to meet peak load events, there was growing support for a regional resource adequacy program.

Over the past three years, entities within and outside the region, including Bonneville, have come together through the initiative facilitated by the WPP, to scope and develop a regional resource adequacy program as described in Part III below.

Part II: Overview of the Western Resource Adequacy Program

The Pacific Northwest does not currently have a method by which the region coordinates to ensure the adequacy of resources and transmission used by entities serving load within and across balancing authorities (BA). Bonneville currently performs resource adequacy planning for its own customers. WRAP will create a similar generation adequacy planning methodology for the entire WRAP footprint. WRAP will be the first regional resource adequacy program operating outside of a FERC-approved regional transmission organization (RTO) or independent system operator (ISO). The objective is to ensure the WRAP footprint has sufficient generating capacity to adequately serve load under a variety of possible scenarios. WRAP will implement programmatic mechanisms, the Forward Showing Program and the Operations Program, to assure sufficient capacity is available for its participants.

Overview of WRAP's Forward Showing and Operations Program

WRAP is a generation capacity resource adequacy program designed to ensure there is adequate generating capacity available with a threshold for needed firm transmission capacity. WRAP focuses on a winter season (November 1 through March 15) and summer season (June 1 through September 15). WRAP is a voluntary program, but participants elect to become obligated to comply with the binding aspects of two distinct programs: (1) a Forward Showing Program that evaluates the capacity needed by each participant to meet a loss of load expectation objective of one event day in 10 years, with a threshold for having firm transmission for participants' resources from resource to load; and (2) an Operations Program that includes a multi-day assessment of each participant's operational situation (loads and generation resources) compared to the forward showing, and obligating members with calculated surplus to assist participants who are deficit compared to their forward showing positions in hours of highest need. The Forward Showing Program and the Operations Program are discussed in more detail below.

Forward Showing Program

The Forward Showing Program load evaluation looks at each participants' P50 (or 1 in 2) peak load forecast, and adds a planning reserve margin (PRM) to it. The PRM is based on a probabilistic analysis that satisfies a loss of load expectation (LOLE) of not more than one event day in 10 years. This P50 peak load plus the PRM establish the participants' forward showing capacity requirement. Combined with this load, each participant then demonstrates that they have sufficient resources to meet that capacity requirement. Resources are evaluated using the program's qualified capacity contribution (QCC) set for each resource type as part of the forward showing. Forward showing data submittals, containing both the loads and resources, are submitted seven months in advance of each season (March for winter and October for summer). The forward showing submittal further requires a 75% threshold for firm transmission rights from resource to load and it needs to be documented as part of the forward showing capacity requirement. Following each forward showing data submittal, the program operator has 60 days to validate it and issue any notices of deficiency, and a participant then has 60 days to cure those deficiencies. Failure of a participant to cure any deficiencies (capacity or 75% transmission threshold) would result in a deficiency charge, also known as a cost of new entry (CONE) assessment, described in more detail below. In order for a forward showing submittal to be valid, the WRAP Tariff requires that a senior official attestation be filed with the submittal, wherein the official affirms they have reviewed the submission and that the contents are correct as to the required data addressed in the submission.[1]

Annually, WRAP will conduct the advanced assessment looking at years two and five in the future. The advanced assessment is the process that the program operator used to collect historical load and resource performance data from each participant to conduct the LOLE assessment, calculate QCC for each resource type, and establish program PRMs.

Operations Program

The Operations Program is designed to evaluate current load and resource forecasts against those submitted in the forward showing for each participant to unlock the diversity of resources and loads over the large, collective WRAP footprint. As explained in WPP's tariff filing with FERC, the objective of the Operations Program is simply to add a "method for updating each Participant's expected load, resources, and outages relative to the Forward Showing to determine the Participant's expected surplus or deficit position on the Operating Day."[2] The timeline for the Operations Program is set to begin seven days out from the operating day. Each day of that operations period, participants submit updated forecasts of expected load, resources, and generation outages, and the program operator conducts a forecast of expected conditions for that operating day.

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[1] WRAP Tariff Filing, Tariff § 14.2.2, *available at* https://www.westernpowerpool.org/private-media/documents/ER22-2762_WRAP_Tariff_Filing.pdf ("WRAP Tariff").
[2] WRAP Tariff Filing, Att. E, Aff. of Charles Cates para. 8.

WPP focuses on a calculation for each participant, known as the sharing calculation, to determine whether the participant will be in surplus or deficit relative to its forecast resource adequacy needs anticipated for the upcoming operating day.[3] The sharing calculation essentially defines when a deficient participant can call upon assistance from other participants in the program. In addition to showing which participants will be deficit according to the sharing calculation, the calculation also shows which participants will be surplus and can therefore provide an energy deployment to those participants that are deficit. This aspect of the Operations Program is known as the holdback requirement and energy deployment.

The holdback requirement is defined as a "MW quantity, as determined on a Preschedule Day, that a Participant is required to be capable of converting into an Energy Deployment on a given hour of the succeeding Operating day . . . ."[4] Each participant is required to confirm to WPP both the request to have a holdback issued for them, and then in the operating day they wish to have an energy deployment issued. The program was designed around an expectation that it is the "resource of last resort" and that the program would only be used for 12 to 20 events per year. Holdbacks and energy deployments are settled under bilateral agreements, based on the WRAP settlement calculations that will result in higher than market payments. Additionally, a Make Whole Adjustment clause verifies that holdbacks that do not get deployed get fully compensated based on opportunity costs. The failure of a participant who is issued a holdback order from WPP, and subsequently an energy deployment to complete that energy delivery, will result in a delivery failure charge, which is discussed further below.

Overview of Forward Showing Program's deficiency charges (CONE costs) and Operations Program's delivery failure charges

As identified above, the failure to meet forward showing capacity requirements will result in a deficiency charge in the Forward Showing Program, and failure to deliver the committed energy after an energy deployment notification in the Operations Program will result in a delivery failure charge. These charges are significant and are designed to incentivize participants to be in full compliance with WRAP requirements.

The deficiency charge is the product of the monthly deficiency in megawatts (MW), times CONE value times a CONE factor. The CONE values are set at the cost of new entry of a new peaking natural gas-fired generation facility and typically based on the annual revenue requirement. The CONE factor is adjusted depending on the program's aggregate deficit and can vary from 125% to 200%. Additionally, the deficiency charge will include a calculation of incremental monthly failures for that participant within a season at a rate consistent with calculation of an annual CONE multiplied by a CONE factor of 200%. The range of charges will depend on the timing and number of deficiencies across both seasons. For example, a 100 MW deficit in the month of January in a winter season may result in a $11.5 million charge, a 100 MW deficit in every month of winter and summer seasons would result in a $24 million charge, and a 10 MW deficit in August of a summer season and 50 MW deficit in January of a winter season would result in a $6 million charge. The CONE is intended to provide a strong deterrent against repeated deficiencies. The WRAP Tariff provides that revenues from the payment of any

[3] *Id*. para. 11.
[4] WRAP Tariff § 1.

deficiency charges are to be allocated among those participants with no deficiency charges for the period at issue. The allocation would be pro rata based on each participant's share of all such participants' median monthly P50 peak loads for the period at issue.[5]

The non-delivery charge may be assessed for each hour of non-delivery and is calculated as the max of applicable day-ahead and real-time price on the hour of non-delivery multiplied by the CONE factor. The CONE factor is adjusted based on the number of non-delivery instances in both seasons of the year for that participant, and whether the energy that was not delivered was able to be served by another participant. Penalties are designed to be high enough that non-delivery is not an economic option and to ensure the reliability of the program for all participants. Prior to issuing the non-delivery charge, the program operator will conduct an evaluation of the non-delivery events, and charges may be waived if they meet program-defined criteria. Non-delivery charges for a year will be capped at a ceiling equal to the CONE charge for an individual participant. The WRAP Tariff provides that revenues from delivery failure charges assessed where the deficit was fully satisfied by other participants will be used to reduce WPP costs that are recovered under Schedule 1, WRAP administration charge. Revenues from delivery failure charges assessed where the deficit was not fully met by other participants will be collected by the WPP and provided to the participant that had an unserved deficit.[6]

Overview of program governance

WPP modeled its proposed governance structure for WRAP after RTOs and ISOs.[7] WRAP's governance will be implemented through WPP's corporate structure, the terms of the WRAP Tariff and participation agreements. Because WPP will be the program administrator for WRAP and will become a Commission-jurisdictional public utility, this has resulted in restructuring WPP's current corporate governance structure to a fully independent board. Amendments to the WRAP Tariff and business practices will be evaluated through WRAP's stakeholder process, including review by the Resource Adequacy Participant Committee (RAPC),[8] but WPP's board will have the sole authority to vote to amend the WRAP Tariff and approve WRAP-related filings under section 205 of the Federal Power Act. The WRAP Tariff limits the board's broad authority in certain respects, including prohibiting it to: exercise control over generation or transmission assets, to administer open access transmission service or balancing authority service, or to amend the WRAP Tariff to establish an organized market without supermajority support from the RAPC.[9]

As noted, WRAP's governance will be implemented through WPP's corporate structure and through the WRAP Tariff. WPP's bylaws will be amended to establish a nominating process for the independent board of directors. This process will include a nominating committee made up of stakeholders and interested parties from various classes to participate in the selection of directors. WPP will serve as WRAP's program administrator with responsibility for the tariff. It will engage a program operator to provide technical expertise for operational program

[5] *Id.* § 17.2.10.
[6] *Id.* § 20.7.4.3.
[7] *See* WRAP Tariff Filing, Filing Letter at 47-48 ("Filing Letter"). The WRAP committee and voting structure was modeled on SPP's Western Energy Imbalance Service Market for its Western Markets Executive Committee (*Sw. Power Pool, Inc.*, 173 FERC ¶ 61,267 (2020)).
[8] *See* Filing Letter at 47-57.
[9] *See id.* at 50; WRAP Tariff § 3.4.

implementation, and it will engage an independent evaluator to analyze program performance, accounting and settlement, and program design on a yearly basis and to make recommendations for improvements.

WRAP's governance includes a role for states through a Committee of State Representatives (COSR). The COSR's role in governance will include: (1) a designated representative of the COSR on the Program Review Committee (PRC), the broad stakeholder body that reviews proposed tariff and business practice manual changes before they are considered by the board; (2) attendance of a designated representative of the COSR in RAPC meetings; (3) an enhanced process for COSR engagement in RAPC decision-making; and (4) a commitment by WPP to work with COSR to conduct a full review of governance structures and procedures, including the role of the COSR, in the event WPP seeks to expand the WRAP to include market optimization or transmission planning services.

WRAP will have two main stakeholder bodies, the RAPC and the PRC, to review proposals before going to the board. These committees are intended to offer the board viewpoints from participants and a wide array of stakeholder interests. The PRC will serve as a broad stakeholder committee with representatives from multiple stakeholder sectors, and the RAPC will serve as a committee of representatives from each WRAP participant.

Amendments to WRAP's Tariff and the adoption of or any amendments to business practices that implement the tariff will be developed through a stakeholder process. Any stakeholder can propose amendments to the PRC. The PRC will review and prioritize proposed changes, seek public comments and comments from COSR, and evaluate the proposals. The PRC will then decide whether to recommend the proposed change to the RAPC. If the PRC moves forward, the RAPC will review the proposal and supporting information. If the RAPC vote is to recommend the change to the board, it will be provided to the board for a vote. Any stakeholder may appeal a RAPC decision for consideration by the board.

The RAPC will consider proposed amendments to the WRAP Tariff or business practice manuals and will vote to recommend approval or rejection to the board. The RAPC will also advise the board on matters relating to WRAP's administration budget and allocations to participants. The RAPC has special voting rights over several matters, such as modifying the limitations on the board's authority to amend the WRAP Tariff to implement other programs such as organized markets; sole authority to consider amendments to Schedule 1 of the tariff addressing cost allocation and the WRAP administration charge, and exclusive authority to consider changes to the WRAP's pro forma participation agreement.

RAPC votes will use a "House and Senate" structure. The Senate vote is pro rata (i.e., one participant, one vote), and the House vote is weighted to reflect each participant's share of regional peak load. For an action to be approved by RAPC, both the House and Senate votes must satisfy certain supermajority thresholds, based on the matter being considered. The voting thresholds are as follows:

- For actions that have been recommended for approval by the PRC, the voting threshold for RAPC approval is a 67% supermajority of both the House and Senate.
- For actions involving changes to the board's authorities under Section 3.4 of the WRAP Tariff, the voting threshold for RAPC approval is an 80% supermajority of both the House and Senate.

- For all other actions, the voting threshold for RAPC approval is a 75% supermajority of both the House and Senate.

Overview of WRAP administrative cost recovery

WPP's costs for administration and operation of WRAP would be recovered through the WRAP administration charge, a formula rate incorporated in Schedule 1 of the WRAP Tariff. Schedule 1 allows the WPP to recover WRAP's program administration costs from participants, based in part on the number of participants and in part on participants' peak loads. All participants will pay the same base charge each month, and each participant will also pay a load charge each month based on its peak load.[10] This structure is intended to reflect the differences in how participants will benefit from WRAP costs incurred by WPP, and at the same time seeks to balance WRAP cost recovery among the participants. It is also intended to lessen the extent to which WRAP relies on individual participants with large peak loads for administrative cost recovery.[11] Schedule 1 also includes a maximum value for the formula rate of $59,000 per year for the total of the monthly base charge and an annual maximum of $199 per MW for the total monthly load charge in a year.[12] Changing these limits would require the WPP to file an amendment to the schedule with the Commission.

Additionally, WRAP includes a cash working capital support charge to ensure WPP's ability to make annual payments under the service agreement with the program operator. This will be a one-time charge (absent future changes to the program operator annual payment), based on the sum of nine months' worth of monthly charges. Once WPP has sufficient cash working capital to make the first annual payment, the monthly collections from participants under the regular Schedule 1 charges over the first year will cover the next annual payment. The WRAP Tariff also includes a rate called the default allocation assessment that may be triggered to recover from non-defaulting participants the potential default of participants with respect to WRAP administration charges. To the extent WPP is successful in recovering funds from a defaulting participant, it is required to credit those funds, less its costs to recover such funds, to any participants who paid a default allocation assessment.

See the discussion of Bonneville's business case in Part V below for a description of Bonneville's anticipated program administration costs for WRAP participation.

WRAP's program operator

WPP and participants in the WRAP initiative have selected the Southwestern Power Pool (SPP) to act as the program operator for a defined term under an agreement. SPP is responsible for performing planning studies, establishing PRMs, administering the Forward Showing Program twice per year, applying capacity accreditation rules, monitoring the regional operational adequacy requirements in real-time (Operations Program) and assisting WPP in calculating deficiency charges for non-compliance in the Forward Showing Program. SPP has also helped the development of the detailed design for WRAP, including the program's technical requirements, governance framework and WRAP Tariff. SPP will also maintain the technical systems to administrator both the Forward Showing and Operations Programs.

[10] *See* WRAP Tariff Filing, Att. G, Aff. of Rebecca Sexton para. 10.
[11] *Id*.
[12] WRAP Tariff, Schedule 1 § 3.

PART III: Development of the WRAP initiative

Over the course of the initiative, participants engaged in the design and development of a regional program with clear, uniform standards for resource accreditation and the commitment for capacity contributions from its participants. During the course of this collaboration, Bonneville advocated for the development of a program that would accommodate participation by entities with diverse jurisdictional status and that would allow Bonneville to elect to participate consistent with its statutory authorities.

Initial design efforts

Nearly all utilities do their own resource planning through integrated resource plans. Since the deregulation of wholesale transmission in the mid-1990s, many utilities have relied on the availability of energy and capacity in the spot market to cover part of their needs. Utilities have begun to question whether the spot market is an assured resource that can be counted on to supply power when called upon. In 2019, utility members of the WPP initiated discussions that led to a cooperative process to start reviewing and addressing resource adequacy in the region. The WRAP initiative represents a proactive effort to address resource adequacy challenges in the West through coordination among actors in the power industry. Participants in this initiative have collaborated in developing the program's technical design, as well as a framework for governance that accommodates jurisdictional considerations for the diverse mix of potential participants.

The WRAP initiative was organized into three phases:

- Phase 1, Information Gathering
- Phase 2, Conceptual and Detailed Design
- Phase 3A, Finalize Design and Initial Implementation (Non-Binding Forward Showing Program)
- Phase 3B, Implementation (Binding Forward Showing and Operations Programs)

Phases 1 & 2: Information Gathering and Design

During Phases 1 and 2, participants initiated a process to develop solutions to address resource adequacy in the Northwest. The scope included information gathering (Phase 1) and conceptual and detailed design (Phase 2) with a proposed program design that outlined WRAP's structure, including hydro methodology, adequacy metrics, and import/export considerations. At the end of Phase 2, a Detailed Design Document was published, which was intended to be a starting point of implementation as program design refinement was expected in the next phase. Phases 1 and 2 have been completed and allowed for WPP and participants to transition to Phase 3's design finalization and program implementation.

Phase 3A: Non-Binding Forward Showing Program

In the fall of 2021, participants moved into Phase 3A, which includes the Non-Binding Forward Showing Program, continued program design, and drafting work. Phase 3A included several separate work streams. The program and its participants completed design work through a number of task forces to further refine the initial system development of the detailed design for the WRAP, including a governance framework and transition period. Bonneville participated in most task forces focused on the system development and technical design for the WRAP binding program, including wind accreditation, solar accreditation, CONE, legacy contracts, settlement pricing, load forecast, east and desert Southwest subregion diversity exchange, forward showing capacity requirement, a threshold for transmission demonstration and associated exceptions, cost allocation, participation and the binding transition. Additionally, Bonneville participated in the Structural Work Group, which evolved into the WRAP Governance Committee, to develop WRAP's governance, which was documented in the Governance Proposal and published in January 2022. Upon completion of the technical design and governance work, participants, including Bonneville, worked with WPP and the program operator to develop the WRAP Tariff. On August 31, 2022, WPP filed the WRAP Tariff with the Commission. That review is pending.

In addition to the technical design work of Phase 3A, the WPP is administering the Non-Binding Forward Showing Program. WPP, participants and the program operator have collaborated on initiating and participants completed the first forward showing data submittal for the winter 2022-2023 non-binding season on September 15, 2022, and the data submittal for the summer 2023 non-binding season on October 4, 2022.

The WPP has set a deadline for Phase 3A participants to commit to joining the fully binding program by executing a pro forma Western Resource Adequacy Program Agreement (WRAPA) by December 16, 2022.

Phase 3B: Fully Binding Program

Initial implementation of the binding program will begin in Phase 3B, the final stage of WRAP. Phase 3B is expected to start on January 1, 2023—the date WPP asked for the Commission's acceptance of the WRAP Tariff. In Phase 3B, WPP will begin to operate under the governance and funding provisions set forth in the WRAP Tariff, while continuing to conduct non-binding forward showings and an operational trial period beginning with the summer 2023 season through the winter 2024-2025 season. As discussed in Part VI below, the WRAP Tariff provides for a transition period for participants to commit to binding seasons that start with the summer 2025 season and continue through the winter 2027-2028 season. As part of the transition period, participants may elect to: 1) participate in the fully binding season (subject to the full program requirements and charges for both the Forward Showing and Operations Programs); 2) use reduced penalties and requirements; or, 3) continue non-binding participation. As of the summer 2028 season, all WRAP participants will be required to meet the full requirements of the binding Forward Showing Program and Operations Program–including all compliance requirements and deficiency and delivery failure charges.

Finally, WPP maintains a complete website dedicated to the WRAP with extensive program details, documents, and public webinar presentations.

Part IV: Bonneville's decision process roadmap

Commitment for engagement in Bonneville's Phase 3A Letter to the Region

Prior to joining the Phase 3A Non-Binding Forward Showing Program, Bonneville engaged in a public process with customers and other interested persons about its perspective on the program's development. Bonneville conducted a decision process seeking public review and comment and issued a Letter to the Region on September 29, 2021, explaining its final decision to participate in Phase 3A of WRAP.

In Bonneville's Phase 3A Letter to the Region, the agency identified the need to assess the business case for participating in the next phase of WRAP, the binding program. Accordingly, Bonneville has continued a public process in which it has shared information about the progress of the initiative and Bonneville's evaluation of the program as described below. This includes Bonneville's assessment of its business case for participation provided at the September 29, 2022 public meeting, which is discussed in detail in Part V below. Bonneville is conducting a formal decision process, which includes this draft Closeout Letter with a formal comment period, to seek customer and stakeholder input on Bonneville's proposed decision to participate in the binding program.

Phase 3A Public Engagement and Decision Process Meetings for Phase 3B Binding Program

During Phase 3A, Bonneville initiated an engagement and decision process to lead up to Phase 3B. Bonneville held a public workshop on November 19, 2021, to explain how it would meet the commitments made to customers and stakeholders in Bonneville's September 29, 2021 Letter to the Region. Bonneville articulated its engagement plan and the decision process, explaining that it would: (i) transparently provide design updates and information impacting Bonneville's business case consistent with WRAP timelines outside Bonneville's process; (ii) enable effective two-way communication between Bonneville, customers, stakeholders, and other interested parties; (iii) conduct its process on as predictable and standard a cadence as possible; and (iv) ensure engagement opportunities for interested parties based on external WRAP timelines and information availability. Bonneville's engagement and decision process has consisted of two key components: engagement workshops and decision process meetings.

As a standing item for all engagement workshops and decision process meetings, Bonneville has provided updates and responses to customer-submitted questions and considerations as described below. The engagement and decision process has been designed and implemented to account for customer engagement, evaluation of WRAP risks and benefits, formal public meetings for the decision, finalization of Bonneville's business case, and a 30-day public comment period on a draft Closeout Letter. Throughout the process, Bonneville consistently noted that its process and timeline is necessarily dependent on the WPP's external process and timeline.

Phase 3A Workshops

Bonneville's engagement workshop series focused on discussing program design updates and potential impacts to Bonneville and customers, outcomes from Bonneville's participation in the Phase 3A Non-Binding Forward Showing Program, and resolving customer-submitted questions and considerations. Bonneville completed the engagement workshops in July 2022. Bonneville hosted workshops on and discussed topics as shown in the table below:

Date	Topics
November 19, 2021 (Meeting slide deck)	• Annual assessment data submittal • Stakeholder engagement plan • Consideration of customer feedback • WRAP updates
January 27, 2022	• BPA and resource adequacy today

(Meeting slide deck)	• Consideration of customer feedback • WRAP updates
April 13, 2022 (Meeting slide deck)	• BPA planning with WRAP • Planning scenarios and preference rights • Consideration of customer feedback • WRAP updates
June 13, 2022 (Meeting slide deck)	• Transmission overview • BPA metrics review • New Large Single Load (NLSL) and Above Rate High Water Mark (AHWM) unspecified resources • Consideration of customer feedback • WRAP updates
July 26, 2022 (Meeting slide deck)	• New Large Single Load (NLSL) and Above Rate High Water Mark (AHWM) unspecified resources • Phase 3B decision process plan • Consideration of customer feedback • WRAP updates

Consideration of customer questions and feedback

Bonneville incorporated its ongoing consideration of questions and feedback regarding the WRAP initiative and Bonneville's possible participation into all of its public engagement workshops, as well as its decision meetings. To encourage ongoing customer engagement and feedback, Bonneville provided customers with a two-week comment period following each workshop and decision meeting to allow interested parties to comment both on the information Bonneville provided and on its responses to previously submitted questions or comments. Additionally, Bonneville maintained a Resource Adequacy webpage to post information, past workshop and meeting presentations, customer comments, and the WRAP Public Considerations Tracking Spreadsheet. Bonneville updated the publicly available WRAP Public Considerations Tracking Spreadsheet with new questions and considerations from customers submitted after each meeting, as well as Bonneville's responses. In the September 29, 2022 decision process meeting, Bonneville summarized and responded to the high-level topics based on customer and stakeholder questions and considerations. Topics included: stakeholder engagement, power rates, preference obligation, Bonneville products and services, existing Regional Dialogue contractual commitments, Provider of Choice, and Bonneville's business case for participation in WRAP. These topics are addressed in this section and in Part VIII below, discussing Bonneville's evaluation of its principles.

Approach to Phase 3B Binding Program Decision

Bonneville's transition from its engagement workshops to its decision process began with its September 13, 2022 decision process meeting. The decision process meetings are intended to allow customers an opportunity to provide input on two key questions: (1) Should Bonneville join WRAP Phase 3B, binding program? (2) If yes, which binding season should Bonneville select? Bonneville intends to share its decision to both questions in a final Closeout Letter to be posted by December 16, 2022.

Before issuing the final Closeout Letter, Bonneville committed to hosting three public meetings in 2022 (September 13, September 29 and November 1) in order to provide further public review and comment by customers, stakeholders, and interested parties. The topics covered (or scheduled to be covered) in these meetings are:

Meeting Date	Topics
Sept 13, 2022 (Meeting slide deck)	• Phase 3A stakeholder engagement summary • Formal decision process kick-off • Consideration of customer feedback • WRAP update
Sept 29, 2022 (Meeting slide deck)	• Forward showing data submittal update and position estimate • Business case for WRAP • WRAP participation and interaction with other BPA initiatives • Consideration of customer feedback • WRAP update
Nov. 1, 2022 (Materials will be posted on BPA RA website)	• Discussion on draft Closeout Letter

Additionally, Bonneville committed to posting this draft Closeout Letter in October 2022 and providing customers an opportunity to review and comment on Bonneville's considerations prior to making any final decisions.

Part V: Bonneville's business case for joining the WRAP Binding Program

In its business case for whether or not Bonneville should join the binding WRAP, Bonneville is performing its evaluation based on the assumption that it is participating in the binding Forward Showing and Operations Programs and not considering the phasing in of requirements and charges available during the transition period described in Part VI below. Bonneville is considering the expected benefits of a fully functioning resource adequacy program, the inventory position of forward showing (using the winter 2022-2023 and summer 2023 submittals as projections for future position), expected costs for participation and the potential magnitude of cost exposure to charges in the Forward Showing and Operations Programs. However, this is just an assumption for purposes of the business case and the consideration of when Bonneville should elect to enter the binding program is still an open question that is discussed further in section V below.

How Bonneville addresses resource adequacy today

Bonneville must plan and acquire resources consistent with Northwest Power Act[13] while taking into consideration the regional power planning done by the Northwest Power and Conservation Council in its Power Plan. The Council's power plan is intended to assist regional entities with a

[13] Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. §§ 839 *et seq.* (2020).

primary focus on Bonneville's need to acquire resources to supply its regional load obligations. Section 5(b) of the Northwest Power Act provides that whenever a public body, cooperative or investor-owned utility serving retail load in the region requests firm power, Bonneville is obligated to offer contracts for the sale of such power on a long-term basis. Such contracts can be for a period of up to 20 years. One statutory purpose found in the Northwest Power Act is to supply the region (those entities that buy firm power from Bonneville, i.e., current Regional Dialogue power sales contract customers) an adequate, efficient, economical, and reliable power supply. To ensure an adequate supply of power is available, the Act authorizes Bonneville to acquire resources under long-term contracts. In addition to the authority to acquire resources on a long-term basis, Bonneville makes use of its short-term purchase authority found in section 11(b)(6)(i) of the 1974 Transmission System Act, which authorizes Bonneville to acquire power on a short-term basis not to exceed five years.[14]

To ensure it meets its load serving responsibilities pursuant to the Northwest Power Act and the Regional Dialogue contracts, Bonneville performs two long-term forecasts to determine its resource needs. The first is the Resource Program, which analyzes and provides insight into long term, least-cost power resource acquisition strategies. It identifies and evaluates potential resources available for acquisition by Bonneville to meet its section 5(b) contractual load obligation on a forecast basis, including energy efficiency, demand response and power purchases. The Resource Program is updated every two to four years. The second is Bonneville's annual Loads and Resources Study, otherwise known as the White Book, which is Bonneville's forecast of expected power obligations and resource generation for both the federal system and the Pacific Northwest region as a whole for the upcoming 10-year period.

The Northwest Power Act authorized the states of Washington, Oregon, Idaho, and Montana to form an interstate compact agency, the Pacific Northwest Electric Power and Conservation Planning Council (Council), and directs the Council to: (1) prepare and review a "regional conservation and electric power plan" not less than once every five years; (2) prior to each plan, prepare and periodically amend a program to protect, mitigate, and enhance fish and wildlife affected by the Columbia River Basin hydropower system; and (3) develop both the power plan and the fish and wildlife program in a highly public process with broad consultation and participation. The Power Plan includes the approximate amounts of power produced by resources the Council recommends Bonneville acquire on a long-term basis and may include the types of resources.[15]

In addition to the planning done by Bonneville and the Council, the Western Electricity Coordination Council (WECC) and North American Electric Reliability Corporation (NERC) both develop standards that transmission providers must adhere to that are intended to reduce risks to the security and reliability of the grid. NERC defines adequacy as:

> The ability of the electric system to supply the aggregate electrical demand and energy requirements of the end-use customers at all times, taking into account scheduled and reasonably expected unscheduled outages of system elements.[16]

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[14] 16 U.S.C. § 838i(b)(6) (2020).
[15] 16 U.S.C. § 839b(e)(3)(D) (2020).
[16] *See* Glossary of Terms Used in NERC Reliability Standards (Mar. 29, 2022), https://www.nerc.com/pa/Stand/Glossary%20of%20Terms/Glossary_of_Terms.pdf.

NERC authorizes regional entities to act on its behalf throughout North America, and has authorized WECC to act on its behalf in the western United States. Bonneville is subject to the regulatory standards promulgated by these entities and takes the standards and definitions into account when performing its own power and transmission planning.

As explained above, Bonneville's governing power marketing statutes require it to plan for and assure an adequate power supply is available to meet its firm power contractual obligations. In its resource planning today, Bonneville considers both long and short-term conditions affecting its loads and resources. Bonneville currently relies on the spot market to cover some of its planning uncertainties. There is an increasing risk that the spot market will not continue to provide enough market depth to meet these uncertainties. Thus, the status quo presents a significant risk of potential shortfalls of capacity supply in the future.

It is Bonneville's understanding that WRAP is likely to proceed with or without Bonneville's participation. If Bonneville makes the decision not to participate, resource adequacy challenges will continue to persist without the ability to access the potential diversity benefits the WRAP offers.

Emerging markets and WRAP

Bonneville's evaluation of the binding phase of WRAP is taking place during a time of great change in the West. Many of the entities that Bonneville has worked with to help develop WRAP are also considering multiple options for expanded regionalization, including market expansion. A substantial portion of current WRAP participants, including Bonneville, are participating in the Western Energy Imbalance Market (EIM), which is a regional intra-hour imbalance market. Many of these same participants are evaluating the development of a regional day-ahead market. Both the California Independent System Operator (CAISO) and the Southwest Power Pool (SPP) are in the process of developing a day-ahead markets. WRAP is a helpful step toward this increased regionalization, and joining the program helps Bonneville maintain a good position to evaluate these options. In fact, the SPP Markets+ day-ahead market may require participation in WRAP or meeting an equivalent standard in order to participate (SPP website).

Expected benefits from WRAP participation

Bonneville expects to be able to utilize WRAP to help meet its long-term power sales contract obligations to supply firm power to its regional power customers. Demand for power is expected to continue to grow, while the spot market is expected to have increasing periods of scarcity and price volatility as large thermal projects throughout the West are replaced by non-dispatchable VERs and entities compete more aggressively for their power supply. Entities that have power supply obligations to serve load share the concern with reliance on the spot market and the use of the spot market to source short-term needs. This shift in the resource mix creates challenges for Load Responsible Entities (LREs) and their ability to meet the expected peak load demand over the coming years. WRAP is expected to address many of these capacity challenges by improving overall coordination and situational awareness of generation operations reliability in the region. WRAP will provide generation reliability benefits to Bonneville and other participants due to the increased visibility, transparency, and consistent application of standard metrics and methodologies. Importantly, the program is designed to work within existing systems and bilateral market frameworks of the West. This means that Bonneville and other WRAP participants will be able to continue to plan on an individual basis in making decisions on how to serve load, but they will use the regional metrics, modeling and analyses provided by WRAP to inform planning and procurement processes.

WRAP's application of standard methods allow for transparency of participants and increased visibility into potential generation reliability risks of insufficient generation supply to meet load. The requirement for participants to meet the requirements in the binding Forward Showing Program would provide a greater assurance that Bonneville's neighbors, who are expected to be participants in the program, are planning for and/or acquiring physical resources needed to serve load in the region to meet the WRAP standards. The forward showing requirement is established using the diverse mix of load and resources across a participant's footprint. Thus, the standard approach for modeling and analysis can be integrated into individual participants' planning processes providing transparency and visibility in how participants across the region are planning for load needs.

WRAP would establish a standard practice of how the capacity of different types of resources are accounted for—reassuring Bonneville that all participants will account for their capacity contribution from specific resources in the same manner. These standard practices provide more certainty that all participating LREs are using the same standards and methods, creating more transparency and consistency across the region. Such standardizations would also ensure that participants are adequately planning for physical resources to supply the capacity needed to meet their own peak loads because spot market purchases and long-term contracts that come from unknown sources will not count toward meeting the forward showing requirements.

Bonneville expects that this standardized practice could reduce reliance on the spot market and encourage the development of resources with dependable capacity. Over time, with increased stability and refined standardizations, this program could result in a reduction in reliability risks and would create the potential for additional product options (both sales and purchases), translating into realized benefits for Bonneville's customers and the region.

The program operator will have access to detailed load information, performance characteristics of generating resources, and contractual obligations against resources. The information available to the program operator provides a level of granularity and detail not available to entities making resource planning decisions on their own. The program operator can use this information to inform reliability metrics such as the PRM for the program footprint. For example, the PRM established by the program may be reduced due to the diversity in both loads and resources of participants in the program as a whole. The load diversity benefits are realized through planning the system to a regional coincident peak rather than the sum of utility non-coincident peaks. Outside of WRAP, Bonneville or other entities would need to plan to carry enough capacity to meet their own peak load plus a PRM to deal with uncertainty. Bonneville has a responsive peaking capability from its largely hydro system, but Bonneville is limited by the variability of fuel supply (water) creating an energy constrained system. Bonneville's traditional planning tools consider capacity but are primarily focused on the high variability of water supply and how it would meet energy obligations placed on the system. As a result, Bonneville does not currently use a PRM in its suite of planning tools and does not believe it will change its energy planning methodologies at this time to account for the diversity benefits of a reduced PRM that WRAP provides. PRM is a capacity planning measure that Bonneville may incorporate as a consideration but it would be limited since Bonneville focuses on planning for energy supply;

however, Bonneville recognizes that as it becomes capacity limited, it would benefit from the reduced PRM.

The Forward Showing Program establishes baseline values, based on participants' portfolios and the program operator's evaluation, to identify the reliability risk—the potential of a shortfall in meeting a capacity shortage. The Operations Program then determines the actual shortfall, the real-time differences, and then initiates a sharing event in which participants identified as surplus are able to help meet other participants' deficits—all relative to participants' forward showing baseline. The binding Operations Program would benefit Bonneville by providing access to diversity benefits and to supply power across other program participants. The program establishes a framework to unlock the region's diversity in an equitable and reliable manner. The program operator does account for adjustments such as those due to changes in forecasted loads, forced outages, VER performance, reserves or other factors. Additionally, although reliability events may still occur with WRAP, increased visibility, provided through the program operator, helps identify potential reliability risks sooner (in the forward showing timeframe) and provides opportunities to mitigate them in a least-cost manner for all participants in the Operations Program. Generation that is surplus to one participant will be used to meet another participant's deficit. For Bonneville (and its customers) this means the region would take action as a whole to identify potential risks and solve them. If Bonneville were to be surplus, it could help those in need in an equal manner to all other regional entities. And if Bonneville were deficit, it could request assistance through the program. The program is based on a "resource of last resort" concept with an estimated 12 to 20 hours per year, setting settlements pricing at a level to encourage participants to solve deficiencies outside the program. The program provides compensation for holdback of capacity and energy deployments. These payments assure that the opportunity costs of any holdbacks are fairly compensated and settlement prices are above market rates.

Finally, as explained above, Bonneville is currently exploring new market opportunities in the West, including new, proposed day ahead markets. Bonneville's participation in WRAP would preserve the option for it to join the Southwest Power Pool's Markets+, in which participation in WRAP or a WRAP-equivalent resource adequacy program will likely be a prerequisite.

Potential costs for Bonneville's WRAP participation

Bonneville has identified the potential quantitative costs from WRAP participation in three ways: programmatic costs of participation, potential financial consequences in the Forward Showing Program, and potential charges for delivery failures in the Operations Program. First, Bonneville's participation in the program would include programmatic costs—WRAP program fees and Bonneville staffing and system costs. As explained above, as a participant of WRAP, Bonneville would be required to provide the program fees and charges. Based on the WRAP Tariff maximum, Bonneville has calculated the maximum annual cost for base charges to be $1,115,000 based on the maximum base cost of $59,000 and load costs of $1,096,000 using the maximum charge of $199 per MW set in the WRAP Tariff. The maximum monthly cost would be $96,250.

The maximum charge identified in the WRAP Tariff is a conservative reflection of a program with about half the participants and load as is participating in Phase 3A. As additional participants join the binding WRAP and bring additional load with them, those maximum values would be directly reduced as the same budget is spread across more participants and load.

Additionally, there would be a cash working capital support charge from the program of $866,250 (equivalent to nine months of participant and load fees) that would be paid within 30 days of Bonneville executing its participation agreement. Bonneville anticipates maintaining its current level of staffing as Bonneville begins participation in the binding program. At this time, Bonneville believes those costs can be included under current staffing and budgetary levels. The costs for the program (including any settlement payments) would be applied to the Non-Slice Cost Pool and would come out of current budgets.

Second, WRAP participation also creates potential financial consequences if a participant is unable to meet program requirements for the Forward Showing Program. This may include the following: the need to acquire additional resources or transmission to meet program standards or significant financial charges if Bonneville were to be unable to meet or cure any deficiency identified in its forward showing submittal. None of these financial assessments will apply until a participant is in the fully binding program. Deciding which binding season to elect is an important consideration; see Part VI below for more details on this part of the decision.

The risk of needing to acquire additional resources will be identified as part of Bonneville's forward showing submittal. One possible issue may be due to current Bonneville or customers' contractual resources not meeting program standards to receive credit for QCC. The program only recognizes capacity from physical resources or contracts that are sourced from physical resources to receive credit as QCC for a participant. Bonneville, and some of its customers, have contracts such as WSPP Seller's Choice contracts that would not meet this standard. Bonneville might be able to receive QCC for some of its contracts or customers' contract resources so long as Bonneville could obtain agreement from the counterparty to attest to the source, capacity and any limitations of the resource. However, Bonneville recognizes this as a limited risk.

Bonneville only has these types of agreements through 2026, so meeting program requirements for Bonneville's contract resources is not a long-term problem. WRAP's transition plan also allows for the phasing in value of legacy agreements that may not fully qualify for capacity once all the requirements of the program are implemented.

Additionally, Bonneville has sufficient physical resources to meet the program requirements based on Bonneville's winter 2022-2023 and summer 2023 forward showing submittals to the program. This would include Bonneville customers' potential use of contract resources that may not have physical resources.

Although Bonneville is comfortable with the amount of physical resources it has to meet forward showing requirements, Bonneville has proposed ways to mitigate the inability to account for load served by a customer's contract resources. For customers' New Large Single Loads (NLSL), Bonneville would work with customers to meet program requirements for resource QCC's, or to exclude load from WRAP at a customer's request, or customers would be subject to a charge for the federal system being used to meet non-Bonneville load service responsibility for resource adequacy. For customers serving Above Rate High Water Mark (AHWM) load with unspecified resources, Bonneville would offer a credit to encourage customers to submit resource information so resources may qualify for QCCs under the program. Both of these proposals exist today and are part of Bonneville's settlement proposal for the BP-24 rate proceeding.

If Bonneville identifies it is deficit because of insufficient qualifying capacity resources or firm transmission to meet the program's forward showing requirement, Bonneville would have the opportunity to cure the deficiency. As explained above, the program includes a 60-day period to notify participants after a forward showing submittal and a 60-day cure period. Bonneville would have the opportunity to acquire resources or firm transmission during this cure period. If Bonneville were unable to cure a deficiency, then Bonneville would incur a CONE charge, which would likely be significant. Based on Bonneville's forward showing submittals for the winter 2022-2023 and summer 2023 non-binding seasons, Bonneville is comfortable that it would not incur a deficiency charge in meeting its forward showing requirement.

Third, in the Operations Program, Bonneville's exposure to potential costs falls into two categories: 1) paying a premium price for an energy delivery from the program requested by Bonneville to meet a deficit at settlement costs above market prices, and 2) a failure to deliver charge if Bonneville failed to deliver on a WRAP issued energy deployment to another participant. Although the settlement costs for using the diversity benefit of the Operations Program are higher, Bonneville would not be obligated to use the program. In fact, the program is designed to be a "resource of last resort." So, Bonneville would still have the ability to seek its own arrangement to meet its deficit, outside the program. Additionally, although there may be limitations if Bonneville has to provide a holdback, the settlement pricing assures Bonneville that it would be fairly compensated for its holdback, both for the capacity that is held and the energy cost of any deliveries that are made under the program. Finally, although there would be a risk for incurring failure to deliver charges, the program is designed to provide a robust evaluation before assessing the charges and to allow participants to seek waivers or exemptions of non-delivery charges. The charges are designed to incentivize delivery and avoid the impact of load shedding because of non-delivery, but are not intended to be punitive. As a result they are capped at the equivalent cost to a CONE charge.

Business case conclusion

WRAP's standard metrics and processes assure that Bonneville's participating neighbors would meet the program standards under a binding forward showing program. WRAP would provide Bonneville with another tool to assure adequate power supply to meet Bonneville's obligations to its customers. The program would also assure that Bonneville is compensated at an above market rate for help that it provides other participants through the program. The benefits of the program outweigh the programmatic costs and Bonneville believes the risks of potential charges that can be fully mitigated.

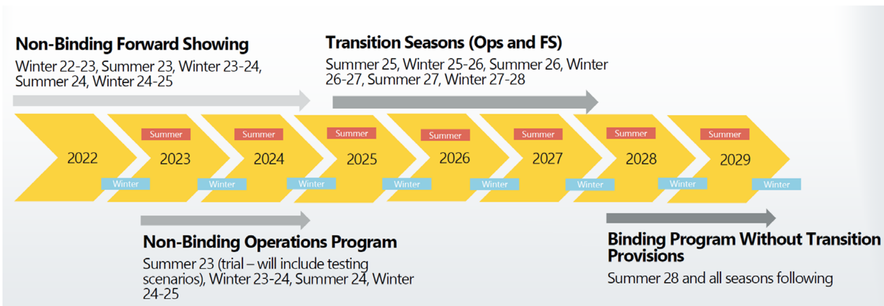
Part VI: WRAP's initial transition period and binding season election

Explanation of WRAP transition period

The WRAP Tariff provides for a period to phase in compliance obligations and penalty charges to allow participants to transition from the Phase 3A non-binding resource adequacy program to the fully binding program. Bonneville supported and provided input into the adoption of the transition plan that was ultimately incorporated in the WRAP Tariff. Under the transition plan, Phase 3B begins by continuing the non-binding Forward Showing Program, initiating the Operations Program in the summer 2023 season with an operational trial, and implementing the governance program.

From the beginning of Phase 3B, scheduled for January 1, 2023, participants are able to participate in governance committees, including voting, continue to turn in and receive feedback on non-binding forward showing data submittals and potentially receive voluntary capacity available in the Operations Program. The compliance obligations and penalty charges for the Forward Showing and Operations Programs are then phased in the during transition seasons beginning in the summer 2025 season through the winter 2027-2028 season. Participants may elect from these seasons to become subject to compliance requirements and penalty charges.

Beginning with the summer 2028 season, all participants must meet the requirements of the fully binding Forward Showing and Operations Programs—including all the compliance requirements and penalty charges. The following diagram from the WPP shows the timeline shifts from non-binding seasons to the transition period and the fully implemented binding program.



An additional element of the transition seasons is the option for participants to request reduced penalties and requirements, excused transition deficits (ETDs), between the summer 2025 and winter 2027-2028 seasons and reductions in meeting forward showing requirements for legacy agreements. Participants that elect to use ETDs will have reduced access to diversity benefits in the Operations Program.

Bonneville's considerations for electing a binding season

Bonneville is proposing to join the binding program, which would require Bonneville to determine its first binding season. In determining Bonneville's first binding season, Bonneville will consider the potential of incurring WRAP charges (the deficiency charge in the Forward Showing Program and the delivery failure charge in the Operations Program) and the ability to access diversity benefits of program participation.

To understand the potential of incurring WRAP charges, Bonneville will need to consider both its experience in the Phase 3A non-binding forward showing seasons as well as the knowledge and experience Bonneville anticipates it will gain by participating in the program by the start of the proposed binding season.

Bonneville recognizes that there is some uncertainty in the full implementation details for the binding Forward Showing and Operations Programs. As a participant in Phase 3B, Bonneville would be actively engaged in proposed task forces and governance committees to propose, evaluate, and vote on specific implementation details to be documented in WRAP business practice manuals.

Additionally, Bonneville has the option to modify its first binding season with two years' notice and take advantage of options to reduce financial assessments and compliance requirements for participants in transitional seasons, such as ETDs or reductions for legacy agreements.

Finally, Bonneville must consider how the timing of its binding season election, which will be made in Bonneville's Final Closeout Letter, would impact its ability to join emerging regional markets as discussed above in the business case in Part V.

Part VII: Bonneville's need for a non-conforming Western Resource Adequacy Program agreement

Throughout the WRAP initiative, Bonneville worked with WPP and participants to ensure that the program's governance structure would be sufficiently flexible to accommodate the jurisdictional diversity of its participants. Specifically, Bonneville communicated its need to participate in a manner that is consistent with its statutory authorities and other legal obligations and that its participation must be subject to limited oversight by FERC (i.e., FERC oversight should be narrow and only apply to those activities that participants have agreed to in the governing documents). Bonneville and WPP agreed to address Bonneville's participation needs through the development of a non-conforming Western Resource Adequacy Program Agreement (WRAPA). While those efforts are ongoing, the following summarizes Bonneville's needs and expectations for its non-conforming participation agreement.

Participation in WRAP must ensure the Administrator retains the ability to exercise statutory authorities and satisfy obligations. The WPP's board can modify the WRAP Tariff and the participation agreement on its own authority and file such changes with FERC. Consequently, although it is unlikely, it is possible that substantive obligations under the WRAP Tariff and participation agreement could be adopted and amendments made on a timeline that would not offer a participant the ability to exit the program according to the normal notice requirement of two years if the participant objected to such modifications. Bonneville needs limitations on this aspect of the governance structure. Bonneville has identified the following areas the participation agreement as needing provisions that are unique to Bonneville:

- Statutes and non-jurisdictional status: Bonneville's participation agreement needs a provision ensuring that Bonneville's participation in WRAP is consistent with its statutes and status as a non-public utility under the Federal Power Act.
- Modifications to the WRAP Tariff, business practice manuals and participation agreement require express consent or ability for Bonneville to exit early: The WRAP Tariff gives WPP's board broad decision-making authority over the WRAP program (tariff, business practices, and participation agreement). Bonneville's participation agreement needs to preclude delegation of federal executive authority to any private actors.
    - WRAP's participation agreement: Section 6 of the pro forma WRAP participation agreement states that WPP "may amend the terms and conditions of this *Agreement or the Tariff* by notifying the participant in writing and making the appropriate filing with FERC, subject to any limitations on WPP's authority to

amend the Tariff as set forth therein."[17] Bonneville's non-conforming participation agreement needs language requiring Bonneville's written consent for amendments to its agreement.
    - WRAP Tariff and business practice manuals: The WRAP Tariff and business practice manuals may be modified pursuant to RAPC vote with board approval. The board also can modify the tariff on its own authority and file such changes with FERC. This applies to substantive program and governance rules, as well as to the rates applicable under the WRAP Tariff. Consequently, it is possible that the tariff and substantive business practice manuals could be adopted/amended to change substantive program obligations/liabilities on a timeline that would not offer a participant the ability to exit the program if the participant objected to such modifications. Bonneville's participation agreement needs limiting language addressing these provisions. Bonneville expects its non-conforming participation agreement to include the right to withdraw early from the program, subject to certain limitations, if Bonneville objected to a new tariff modification or business practice *and* such change is to be implemented on less than 24 months' notice, which would otherwise allow for a normal withdrawal.
- Indemnification, default allocation assessment, and Schedule 1, WRAP Administrative Recovery Charge: The WRAP Tariff has a broad requirement for participants to indemnify WPP and includes a default allocation assessment requiring WRAP participants to cover costs associated with another participant's default. Schedule 1 of the WRAP Tariff establishes a formula rate by which WPP will recover its costs of administering and operating the program. It contains a maximum rate but allows for the board to increase that rate pursuant to FERC filing. Bonneville's participation agreement needs limiting language addressing these provisions.
- General contract provisions: Bonneville's participation agreement also needs general contract language to reflect that its agreement is subject to federal law.

Bonneville is working with the WPP to develop a non-conforming participation agreement with the expectation that the WPP will file the agreement with FERC in the fall of 2022.

Part VIII: Evaluation of Bonneville's Participation Principles

Bonneville committed to using the following five participation principles in its decision process:

- Bonneville's participation is consistent with its statutory, regulatory, and contractual obligations.
- Bonneville will maintain reliable delivery of power and transmission to its customers.
- Bonneville's participation is consistent with a sound business rationale.
- Bonneville's participation is consistent with the objectives of Bonneville's strategic plan.
- Bonneville's evaluation of WRAP participation includes transparent consideration of the commercial and operational impacts on its products and services.

These principles and this approach are consistent with Bonneville's Western EIM participation principles and decision process. The following discussion addresses each principle in turn.

[17] WRAP Tariff, Attachment A (emphasis added).

Bonneville's participation is consistent with its statutory, regulatory, and contractual obligations.

Participation in a regional resource adequacy program is a decision that falls within Bonneville's statutory authority to purchase power on a short-term basis.[18] WRAP participation would assist Bonneville in assuring it has adequate supply to meet its contract obligations. This is analogous to Bonneville's current participation in the wholesale spot market where Bonneville contracts on a short-term basis to meet its contract obligations. Similarly, Bonneville has broad authority to contract under the Bonneville Project Act,[19] but must exercise this authority within the confines of its other statutes.

The WRAP offers a regional tool for planning for resource adequacy and providing a back-up supply for participants facing shortages that cannot be solved through the bilateral market. Nothing in Bonneville's statutes or applicable regulations prohibits Bonneville from participating in this type of resource adequacy program. Bonneville has worked with the WRAP and the other participants throughout the WRAP development to ensure the rules of the program are consistent with Bonneville's statutes regarding the disposal of surplus power and the acquisition of short-term replacement power. In addition, participation in WRAP's Forward Showing Program and the Operations Program would not impact any of Bonneville's existing power or transmission contractual obligations.

Throughout Bonneville's public process some customers raised concerns regarding how Bonneville's preference obligation would apply if Bonneville participates in the WRAP's binding Operations Program. Pursuant to Section 4(a) of the Bonneville Project Act,[20] Bonneville is required to give preference and priority to public bodies and cooperatives. This preference is preserved through the Regional Dialogue contracts. In addition, Bonneville also provides priority to surplus federal power because preference also applies to surplus that is not committed by contract.[21] When Bonneville seeks to sell its surplus energy or capacity, it provides notice to preference customers regarding the proposed sale and those preference customers have priority to purchase before non-preference customers. Bonneville currently provides a daily notice in which all preference customers can see whether Bonneville has surplus power available.

If Bonneville were to join the binding WRAP, Bonneville would be bound by the terms of the WRAP Tariff, which includes the obligation to "holdback" capacity for the Operations Program. Participants that are forecast to have more than adequate resources (power supply) to serve their load during the winter and summer seasons may be designated to holdback some amount of their surplus that can be used to assist other participants that may be deficit in the operational period. A holdback is defined in the tariff as a "MW quantity, as determined on a Preschedule Day, that a Participant is *required* to be capable of converting into an Energy Deployment on a given hour

[18] Transmission System Act, 16 U.S.C. § 838i(b)(6) (2020).
[19] Bonneville Project Act of 1937, 16 U.S.C. § 832a(f) (2020).
[20] 16 USC § 832c(a) (2020).
[21] *See Aluminum Co. of Am. v. Cent. Lincoln Peoples' Util. Dist.*, 467 U.S. 380, 395 n.10 (1984) ("[A]s was the case prior to the Regional Act, preference continues to govern the allocation of all power that is not committed by contract.").

of the succeeding Operating Day . . . ."[22] During the development of the WRAP, parties have estimated the hours the program could be deployed at around 12 to 20 hours in total over a year. Notably, WRAP's Operations Program is set up so that some or all of the holdback amount will be released from the program as it moves closer to the day of delivery, and the released capacity could become surplus that Bonneville can put to other uses, and preference could apply to that capacity.[23]

For purposes of evaluating concerns raised regarding preference in relation to WRAP participation, it is important to understand how preference customers would be affected by the program. As a participant in WRAP, Bonneville would be taking on the LRE responsibility for all load following customers and would be contractually bound to meet its firm power contractual obligations regardless of any obligations under the WRAP. WRAP would provide Bonneville with a last backstop for the capacity to serve its firm power contractual obligations if Bonneville were to be deficit and could find no other bilateral counterparties.

Bonneville's Slice and Block customers would continue to be responsible for their own load service responsibility, just as they are today. Those customers have the option of participating in WRAP or remaining solely responsible for their own loads. Slice and Block customers could also accrue higher benefits from WRAP participation if Bonneville joins in terms of PRM reduction and access to supply. As preference customers, the Slice and Block customers have a right to purchase surplus power from Bonneville ahead of non-preference customers whenever Bonneville indicates it is surplus. This is the case whether or not the Slice and Block customer has elected to join the WRAP.

WRAP's Operations Program is intended to be a last resort safety net that will rarely actually make power deliveries. The intent of the program is to ensure participants recognize when they may face a deficit so that they secure additional capacity on the bilateral market in the days leading up to the day of delivery. This is incentivized by the high costs associated with deliveries made under the Operations Program. Slice and Block customers that participate in the WRAP would know if they were deficit going into the operations time window. If Bonneville had surplus, those customers would be able to cure their deficit by making a bilateral purchase from Bonneville. If some of Bonneville's holdback were to be released under WRAP, Bonneville would potentially have more surplus available if it is needed by those customers. As the WRAP Operations Program rules are further refined and the business practice manuals are developed, Bonneville may adjust its surplus notice practices to better align with the WRAP holdback rules.

Some customers' comments have suggested that to comply with preference, Bonneville would need a carve out in the program to ensure that if the program holdback amount is not enough to cover all deficit participants, Bonneville's portion of the holdback would be allocated to preference customers participating in the WRAP that are deficit and not to a non-preference participant.

While the concern raised in customer comments address a scenario unlikely to play out in WRAP, Bonneville takes this concern seriously and will address it. The program is being set up so that it creates a conservative holdback of surplus that is excess of any regional deficit, i.e.,

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[22] WRAP Tariff § 1 (emphasis added).

[23] Section 19 of the WRAP Tariff outlines the "Timeline" for the "Multi-Day-Ahead Assessment." This period of the Operations Program is described as a period of seven days leading up to the Operating Day.

from the WPP's perspective the program should never come up short and the scenario posited by the preference customer comments should never occur. For those Slice and Block customers that join the program, they would have awareness for multiple days that they are deficit and that they need to make bilateral arrangements or face the excessive cost of deliveries under the Operations Program. If Bonneville were to be surplus, those customers could take advantage of Bonneville's preference obligation and make a bilateral arrangement with Bonneville to cure their deficit.

It is Bonneville's understanding that the current design for the allocation of holdback in the Operations Program does not take into account a particular participant's status as a preference customer. While Bonneville believes a preference customer's needs for federal power can be met through bilateral arrangements, as described in the preceding paragraph, Bonneville will work with the WPP to ensure the Operations Program reflects statutory preference requirements with respect to holdback allocations. Under the current design, if a Slice/Block customer that participates in the program does not cure its deficit and instead relies on the Operations Program to serve its load, and if the program did not have enough holdback to serve all the deficit loads, the program does not currently ensure that Slice and Block customers would be given preference to federal power in the allocation of the holdback. Bonneville sees this as oversight design issue that can be corrected.

Bonneville will work with the WPP and the program operator to develop a business practice and/or protocol that identifies the Bonneville preference customer status of a participant. That status will be carried forward into the Operations Program so that, should the event described above occur, the program operator allocates the holdback consistent with statutory preference. Failing to correct this with the WPP, should a preference customer participant find itself in deficit, it can notify Bonneville of its need. Bonneville will either sell the needed amount with available surplus or purchase such amount to meet the customer's emergency request. Bonneville recognizes that its Slice and Block customers also have the ability to take action to acquire needed power from the market.

Bonneville will maintain reliable delivery of power and transmission to its customers.

WRAP provides Bonneville and the region a viable solution to address the generation reliability problems described above in the regional context, such as the risks of power shortages (and possible blackouts) because of insufficient capacity or an over reliance on a diminishing spot market. Bonneville's participation in WRAP would bolster Bonneville's ability to assure the supply of power by providing Bonneville with new tools to plan and meet load service obligations. For example, as Bonneville explained in the September 29, 2022 presentation on "Business Case," WRAP establishes a regional capacity requirement and the program completes a compliance review from the WRAP program operator of participants' forward showing submittals. Bonneville would be able to integrate program metrics and evaluations into its planning processes to better assure meeting load service obligations. Additionally, Bonneville's participation in WRAP's binding program would provide access to the diversification of capacity if there is a need or offer opportunities for Bonneville to provide capacity if other entities in the West are in need. The Operations Program would identify participants' positions in relation to their forward showing submittals to identify holdback of calculated surplus that would be available to participants with a calculated deficit in hours of highest need.

Bonneville's participation in Phase 3B of WRAP would have no impact on the reliability of transmission service to Bonneville's customers or the region. Importantly, WRAP participation would require no changes to Bonneville's current Open Access Transmission Tariff or current transmission business practices. As a result, there would be no changes to how Bonneville's transmission customers acquire or schedule transmission service due to WRAP.

Additionally, WRAP participation would not change and has no impact to Bonneville's responsibilities in how it operates or manages the Federal Columbia River Transmission System, including how Bonneville operates as a balancing authority area or its function as a transmission operator. WRAP participation would also require no changes to customers' Regional Dialogue power sales contracts. And as discussed in the September 29, 2022 presentation on other Bonneville initiatives, products have not yet been developed in the Provider of Choice contract development, so any impacts from the WRAP would be discussed and incorporated as those initiatives are developed.

As discussed above, the WRAP would provide Bonneville with additional tools to serve load and dispose of surplus capacity and energy, but it would have no negative effect on Bonneville's core power functions of delivering federal power to its preference customers.

Bonneville's participation is consistent with a sound business rationale.

The development of the WRAP comes at a critical time as Bonneville and other entities throughout the region and the West take a measured look at how to assure resource adequacy. A fundamental purpose for Bonneville in supplying firm power under its long-term power sales contracts is to assure an adequate supply of power.[24] Bonneville believes the WRAP is a tool that can assist it in meeting its contractual firm obligations. Faced with acquiring resources to assure an adequate supply, it is consistent with sound business principles for Bonneville to consider the opportunity to participate in the WRAP. As the spot market is expected to change from being a fairly reliable source of supply to perhaps a riskier and uncertain source, it is incumbent on Bonneville to consider alternatives that address Bonneville's resource and power supply needs. Bonneville does so as directed by its statutes with a business oriented philosophy toward acquiring cost-effective resources.[25] By joining and participating with other entities within the WRAP, Bonneville would be able to share in the greater community of pooled resources to meet load obligations and avoid the unexpected risks of having to go it alone. Further, Bonneville's first forward showings for winter 2022-2023 and summer 2023 show that it is currently surplus and thus has a low likelihood of incurring CONE charges. Participation in a robust WRAP would encourage utilities throughout the region to identify any deficits and resolve them in advance, which would protect the value of the Federal Columbia River Power System to the extent Bonneville has surplus that can cure deficits as well as improve the availability of capacity in the future for all entities.

The WRAP is intended to ensure utilities and other load serving entities that join have resources that are adequate to serve load, including capacity, and the associated firm transmission needed to reliably serve load. Bonneville is mindful that in light of recent state legislative efforts to enact clean energy laws and carbon emission reduction programs in Washington and Oregon, Bonneville and many of its customers expect to see increasing change in the region's resource

[24] 16 U.S.C. § 839(2) (2020).
[25] 16 U.S.C. § 839d(d) (2020).

mix. Bonneville expects individual customers' resource needs would change in order to meet compliance standards under these new programs. Bonneville anticipates that those future needs would be met with renewable resources, like wind and solar. Therefore, assuring resource adequacy through ensuring there is capacity available is consistent with sound business rationale.

Bonneville's participation is consistent with objectives of Bonneville's strategic plan.

Bonneville's participation in WRAP is consistent with Bonneville's 2018-2023 Strategic Plan.[26] The strategic plan sets forth Bonneville's high-level objectives to ensure Bonneville's competitiveness and ability to continue to meet the needs of customers as well as regional future needs. Bonneville's participation in WRAP supports meeting Objective 3b, *Address market and regulatory barriers to capturing the clean energy and capacity value of the Federal Columbia River Power System*, by allowing Bonneville to capture the value of Bonneville's flexible, low-carbon and reliable generation portfolio in WRAP. Second, Bonneville's ability to increase revenue with sales opportunities of surplus in the WRAP Operations Program align with Objective 3a, *Increase power revenues through new market opportunities for clean capacity*.

Additionally, WRAP supports Strategic Goal 2, Modernize assets and system operations, as Bonneville implements business process and system improvements in future phases of Grid Modernization to support Bonneville's participation in WRAP, such as integrating new metrics into Bonneville's power planning processes. This will help position Bonneville to more effectively manage the federal power system and be competitive regionally in the years to come.

As explained above, Bonneville's participation in WRAP complements Bonneville's engagement and exploration of regional market developments. Participation in WRAP would allow Bonneville to build off of its experience in recently joining the Western EIM and in the evaluation of regional day-ahead markets, including SPP Markets+, which may require participation in WRAP or an equivalent resource adequacy program for participation.

Finally, Bonneville's participation in WRAP would help protect Bonneville and customers' interests. Bonneville's continued engagement with WRAP would help shape the implementation of the program within the region in a way that works for Bonneville. This would give Bonneville an opportunity to achieve the following potential benefits.

- Proactively set a standard rather than waiting for other entities, such as WECC, to mandate reliability standards on the region.
- Regional collaboration and goodwill from Bonneville's participation in WRAP could build trust and make progress across other initiatives with customers, stakeholders, and state regulatory bodies.
- Increased access to generation and load data by the WRAP program operator would help forecast needs to better assure LREs would be able to meet their load serving obligations.

Bonneville's participation in WRAP would be consistent with broader Bonneville strategic goals as well as specific objectives in the 2018-2023 Strategic Plan. WRAP participation would aid Bonneville's exploration of new regional market opportunities and may help to foster a space for

[26] https://www.bpa.gov/-/media/Aep/about/who-we-are/strategic-plan/2018-strategic-plan.pdf.

Bonneville to collaborate with customers and stakeholders. Specifically, as Bonneville explained in its 2020 Strategic Plan Update,[27] participation in a resource adequacy program such as WRAP would meet specific objectives because joining such a program "may create new opportunities to monetize the flexible capability of the federal hydropower system and serve as a resource in the event Bonneville determines it has a need for power."

Bonneville's evaluation of WRAP participation includes transparent consideration of the commercial and operational impacts on its products and services.

Bonneville conducted a transparent consideration of the commercial and operational impacts to both its power and transmission products and services as part of its evaluation of participation in WRAP. As described in Part IV of this letter, Bonneville specifically addressed the impact and implication of WRAP participation in its presentations on Phase 3A workshops. For example, as explained above in Bonneville's evaluation of the principle, "Bonneville will maintain reliable delivery of power and transmission to its customers," there are no impacts on transmission products and services including how Bonneville will operate or manage its transmission system.

In workshops, Bonneville explained that participation in WRAP would result in some changes to Bonneville's power planning processes. First, Bonneville explained that participation in WRAP would likely add new metrics for evaluation in the Resource Program. Bonneville also confirmed there would not be any change in how Bonneville operations and trading floor staff work today. Bonneville recognized that it would be necessary to develop and integrate processes for Bonneville to support forward showing submittals and accounting for forward showing requirements. For example, Bonneville explained that as its planning time horizon shifted toward real time, there would not be any process changes, but Bonneville would need to account for forward showing capacity requirements and would comply with any preschedule notice or releases in the Operations Program. Bonneville affirmed the WRAP timelines would not conflict with timelines for participation in the Western EIM. Bonneville also verified that the winter 2022-2023 and summer 2023 forward showing submittals confirmed Bonneville's assumptions that it would have sufficient capacity and transmission to meet forward showing requirements.

Additionally, Bonneville clarified that it does not expect marketing of surplus power would be impacted in the long-term or mid-term planning horizons; however, as discussed above, Bonneville would need to account for surplus that was called upon by the program as holdback. If Bonneville was unable to release the holdback or if it was eventually deployed to another deficit participant, Bonneville would be compensated at a settlement price that would be set above the market price as explained above in Parts III and V. Such revenue would be additive to Bonneville's secondary or surplus revenue.

As Bonneville addressed specific impacts to its products and services under the long-term power sales Regional Dialogue agreements, Bonneville clarified that there would be no new modifications to existing products or services. However, Bonneville did identify a potential impact to Load Following customers using unspecified resources to serve NLSL and AHWM loads. Under the Regional Dialogue contracts, customers have the right to serve load with "unspecified resource amounts" and are responsible for bringing the power from those resources

[27] https://www.bpa.gov/-/media/Aep/about/who-we-are/strategic-plan/2020-strategic-plan-update.pdf.

to meet those loads. These unspecified resources do not contribute to Bonneville's ability to meet forward showing requirements in WRAP.

As an LRE participating in WRAP, Bonneville would be responsible for the P50 total retail load ("TRL"), including all loads served by non-federal resources. Bonneville would need to include information about all resources used to meet the TRL. However, under the Regional Dialogue agreement, customers are obligated to supply the megawatt amounts and do not have to provide specific resource information to Bonneville about any unspecified resources serving NLSL and AHWM loads. An additional complication arises from program requirements for resources to receive QCC under WRAP; resources serving load must be physical resources or the power supply contracts must be traceable to a physical resource. WRAP includes a load exclusion provision that allows specific discrete load that the participant is not the supplier for, to be excluded from program calculations, under mutual agreement of the participant and the entity serving that load. Without the resource information for the resources serving NLSL and AHWM loads and an agreement to exclude a specific discrete load, Bonneville would have to either allocate capacity from the federal system or acquire resources to account for a potential deficit position and avoid forward showing deficiency charges.

Bonneville recognizes that customers are able to use unspecified resources to meet NLSL and AHWM loads under Regional Dialogue contracts and may be utilizing resources such as WSCC Seller's Choice agreements that would not qualify for capacity under the program requirements. Bonneville made clear to customers, most recently in the September 29, 2022 meeting, that Bonneville would not attempt to modify a customer's right to use unspecified resources. Instead, Bonneville has proposed an alternative rate to encourage customers to help Bonneville meet the requirements of WRAP.

First, for NLSLs, Bonneville would offer customers using unspecified resources two options to work with Bonneville: (1) provide resource documentation to Bonneville to submit to the program so Bonneville could obtain QCC value for the customers' resources meeting NLSL or (2) work with Bonneville to follow WRAP's exclusion process to exclude NLSL (not served by Bonneville) from WRAP. Under the second option, the excluded NLSL (not served by Bonneville) would not be included in Bonneville's forward showing submittal. To incentivize customers to follow one of the options, Bonneville would establish a monthly charge, proposed in the BP-24 power rates settlement, if a customer did not submit an attestation necessary to exclude the NLSL from WRAP or the resource information to qualify for QCC.

For AHWM load, the exclusion process would not be available, since this is a measurement of the customer's total load and is not connected to a discrete load such as a NLSL. Therefore, Bonneville proposed a credit under the BP-24 power rates settlement terms to incentivize customers to submit resource documentation that would allow Bonneville to obtain QCC value for the unspecified resources used to serve AHWM load. Customers who did not provide the additional information related to their unspecified resources used to meet AHWM load would not be eligible to receive the credit.

Some customers have questioned why Bonneville would be unable to allocate sufficient capacity to account for the NLSL and AHWM loads and whether or not it was fair to impose a charge or credit for NLSL and AHWM respectively. Bonneville explained that if Bonneville were to be unable to identify resources that are used by a customer to meet either NLSL or AHWM loads, then Bonneville would have to rely on federal resources for capacity, placing a burden on the federal system and potentially limiting Bonneville's ability to use that capacity for other purposes. In a worst-case scenario, Bonneville would have to acquire capacity to account for the potential deficit related to the NLSL and AHWM loads. Bonneville's rate proposal strikes a reasonable balance in accounting for customers' existing contract right to use unspecified resources, but mitigates the risk of cost shifts Bonneville may incur to account for resources serving those loads. Bonneville also explained that it would share more details regarding the exclusion process as the program established requirements in WRAP business practice manuals.

Bonneville also affirmed that there would be no other changes to other rates related to Bonneville's products and services, including the application of unauthorized increase charges, due to Bonneville's participation in WRAP. Finally, in the business case in Part V of this letter, Bonneville explained how the costs associated with participation in WRAP would be accounted for in Bonneville's rates.

Part IX: Environmental considerations

Bonneville is in the process of assessing the potential environmental impact that could result from its proposal to join the WRAP binding program, consistent with the National Environmental Policy Act (NEPA). All public comments concerning NEPA compliance and/or potential environmental effects of the proposal that were received during the public discussions for this proposal are being considered as part of this NEPA process. As Bonneville reaches its final decision on WRAP participation, Bonneville will also consider any public comments received on this topic as part of the public comment period associated with this proposal.

Based on its most current assessment, Bonneville believes this proposal appears to be the type of action typically excluded from further NEPA review pursuant to U.S. Department of Energy NEPA regulations, which apply to Bonneville. Nonetheless, Bonneville is still assessing the proposal and, depending upon the ongoing environmental review, may instead issue another appropriate NEPA document. Bonneville will complete its NEPA process and issue its NEPA documentation for this proposal before issuing the final Closeout Letter.

Part X: Unknowns and tools to mitigate risks

Because WRAP is a new program, aspects of the program remain untested, and participants have to deal with a number of unknowns as they consider transitioning to participation in this regional program. First, the WRAP Tariff has yet to be accepted by the Commission and implemented by the region. Second, while the overall framework and program rules are defined by the WRAP Tariff, there may be unknown implementation details for the Forward Showing Program and Operations Program given the new program has not had the opportunity to develop the WRAP business practice manuals. Third, participants are in the process of analyzing data from Phase 3A, which will inform their understanding of Phase 3B implementation. Finally, as participants contemplate whether to join and when to elect to go binding, they do so without full knowledge of what other participants will decide. In contemplating making a binding commitment under the WRAP Tariff, it is helpful to highlight the following ways in which the program rules allow participants to manage their risk exposure.

Transition period and involvement in WRAP implementation

Bonneville has remained involved in the WRAP initiative since its inception and has advocated for program design elements that would allow it to participate if it were to decide to join WRAP. Bonneville is supportive of the program's final design and believes there is continued value to supporting the implementation of the binding program for WRAP. Participation in the work to fully implement the Forward Showing and Operations Programs would allow Bonneville to be more effective at addressing issues and concerns shared by Bonneville and its customers, as well as concerns about potential capacity shortfalls and the direction of any future resource adequacy requirements that may affect the Pacific Northwest. Bonneville's continued contribution to the implementation of the program would better ensure that the WRAP's binding program will be implemented such that Bonneville may participate consistent with its statutory authorities in order to facilitate Bonneville's support of customers by meeting its load service obligations.

As discussed in Part VI above, the WRAP Tariff provides for a transition period during the initial three years of the program. The transition plan permits participants to participate in the program but push out their binding commitment. During the transition period, non-binding participants may engage in the program governance and influence the refining of the program during implementation, including the development of the business practices. Although Bonneville is not proposing a potential season for its binding season election at this time, Bonneville seeks feedback on how it should evaluate the options provided in the transition plan.

WRAP's standard exit provisions

Another tool to mitigate risk exposure is the program's two-year notice for withdrawal. WRAP's pro forma participation agreement establishes a two-year notice period for withdrawing from the WRAP. Notice must be given 24 months prior to the start of the next Forward Showing Program period. During the two-year period in which a participant is in withdrawal status, a withdrawing participant remains obligated to comply with all requirements and obligations of the WRAP and to pay all financial obligations (e.g., administrative costs and any assessment of punitive program charges) incurred prior to the effective date of the withdrawal. Participants' ability to exit the program on two-years' notice limits their financial exposure under WRAP, including the potential for substantial deficiency charges and failure to deliver charges.[28]

Part XI: Bonneville's proposal and request for feedback

Bonneville proposes to participate in WRAP's Phase 3B, the binding program. Bonneville's proposal depends on the occurrence of the following two conditions: (i) the WRAP Tariff that WPP filed with the Commission is accepted by the Commission without modification that materially changes the WRAP Tariff in a way unacceptable to Bonneville; and (ii) a non-conforming participation agreement that is acceptable to Bonneville is filed and accepted by the Commission. If these conditions do not occur, Bonneville would need to reconsider any final decision to participate. As Bonneville continues to carry out its decision process to evaluate WRAP participation, Bonneville will make a determination on when to elect to go binding, which Bonneville will provide in the final Closeout Letter.

Bonneville invites public comment on this draft decision by close of business on November 17, 2022. Please submit comments online at http://www.bpa.gov/comments.

[28] This issue is separate from the discussion in Part VII addressing the need for a unique exit provision in Bonneville's non-conforming participation agreement.