
February 6, 2020

Elliot Mainzer
Administrator and Chief Executive Officer
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

Dear Elliot:

For more than 75 years, Northwest consumer-owned utilities and the Bonneville Power Administration (BPA) have enjoyed a tremendous partnership. Through the ups and downs of our long history together, BPA remained our trusted provider of choice. With a shared mission of public service, we successfully collaborated on providing Northwest customers with reliable, renewable power at affordable prices. Simply put, BPA and public power have built a strong legacy together. This letter is about exploring the next chapter for BPA and public power.

Today, BPA depends on Northwest public power to fund almost 80 percent of its power operation and nearly 70 percent of the agency's overall costs. Many of BPA's programs, including energy efficiency and the world's largest environmental mitigation program, depend on public power's stable funding. This stable revenue stream enables BPA to remain a creditworthy power supplier and the principal funder for many essential regional programs. That is why we were the first to sound the alarm when BPA's rate trajectory became unsustainable. That is also why we have devoted considerable attention to initiatives designed to bend the agency's cost curve enough to enable BPA to remain a power supplier of choice in 2028. We want BPA to succeed and thrive.

As the region's consumer-owned utilities, we strongly value our preference rights to power delivered from the Federal system at cost. While we know that others in the region have expressed interest in the output of the federal system, Northwest public power brings attributes to the partnership that are unparalleled in BPA's marketing environment. Public power's long-term demand volume, its diversity together with its local control, and its extraordinarily strong aggregate credit rating make it the most attractive counterparty for BPA's products and services.

It is important that both public power and BPA continue to derive value from our partnership. A lot has changed since we signed the last set of contracts and the pace of change over the ensuing decades is likely to accelerate. Therefore, we encourage BPA to think creatively and adopt a more customer-centric approach for developing the next set of contracts that give us flexibility to compete in an ever-changing energy marketplace. We will be looking for offerings that harness the Federal system and espouse core attributes of its capabilities and products. These offerings must provide more contemporary products and transaction terms, as well as options and transparency around agency commitments that can impact its price stability through the contract tenure.

We are pleased that BPA has begun internal discussions of timelines and approaches for engagement with its preference power customers, and we look forward to the continued dialogue. We are encouraged by the constructive engagements we have had with you and your team and welcome individual outreach from BPA’s account executives. While we appreciate the intent to solicit specific information from customers, we found the agency’s recent Post-2028 Customer Questionnaire difficult to respond to at this time. After a discussion in early January, we unanimously recommended that PPC members forego completing the survey and offer feedback through this letter instead.

Through this letter, public power is speaking with a unified voice. As the umbrella trade association of all of BPA’s preference power customers, PPC will continue to provide that unified voice during the development of post-2028 options. Although there is diversity within public power – and detailed questionnaires may eventually prove useful in exploring that diversity – our core common interests are aligned.

We believe that the best way to advance our conversation at this time is to understand what BPA is prepared to offer public power. We urge BPA to set surveys aside for now and come forth with a high-level proposal for the best products it can offer public power for post-2028 contracts. While individual utilities may prioritize these interests differently, we ask BPA to address in its proposal our core common interests:

- Affordability*** How will BPA continue to advance cost-management efforts and what role will public power play in prioritization of programs, initiatives, and spending to ensure affordable power products?

- Price Certainty*** What level of price stability and predictability can BPA provide to public power?

- Environmental Attributes*** How will BPA continue to offer or even enhance its low-emissions profile, particularly for those customers facing greenhouse gas regulations?

- Reliability*** Reliable power supply is core to the mission of public power. How will BPA provide value and leadership in this area? What options can BPA offer to address growing winter and summer capacity deficits?

- Flexibility and Optionality*** In a rapidly evolving energy landscape, customer needs are changing. How will BPA be nimble and responsive to provide product options that serve the sometimes diverse needs of Northwest public power?

- Term of Contract*** Given that BPA knows what it needs to reliably invest in its system, but also knows that different customers may desire different contract term lengths, what is BPA prepared to offer? What is the degree of contract flexibility?

**Risk
Management**

How can BPA and its customers equitably and efficiently share risk under new contracts? Can BPA offer products that will allow customers to effectively hedge BPA price risk at their preferred level?

We recognize that we are at the start of a journey and that there will be considerable evolution and iteration along the way. In short, we desire a customer-centric approach and an initial, high-level proposal that we can compare to the terms that other providers may develop for public power entities. While we value the products BPA provides, it is our duty to our customers to consider in earnest the post-2028 landscape and to weigh all viable power supply options available.

In recent years, BPA has made significant progress in addressing some of the key competitiveness challenges facing the agency. Although more work remains, we are encouraged by this progress and look forward to working closely with you to ensure that public power has the best possible options for post-2028 products and services. As we noted above, Northwest public power and BPA are connected by the same mission of public service and our success has always been and will continue to be intertwined. We hope this letter serves as a vehicle that will continue our productive dialogue, and we are excited to see what BPA – our longtime partner – develops in response to our request. We would appreciate seeing BPA’s proposal in response to this letter by June 1, 2020.

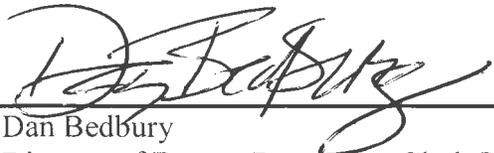
Sincerely,
Executive Committee of the Public Power Council



Susan Ackerman
Chief Energy Officer, EWEB



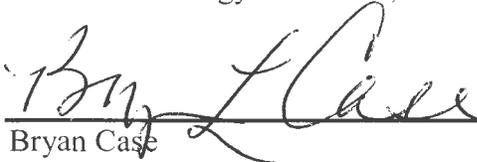
Max Beach
General Manager, Idaho County Light & Power



Dan Bedbury
Director of Energy Resources, Clark PUD



Libby Calnon
General Manager, Hood River Electric Co-op



Bryan Case
CEO/General Manager, Fall River Rural Electric



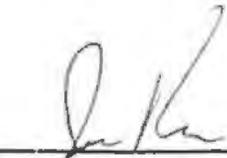
Annette Creekpau
Manager, Mason County PUD #3

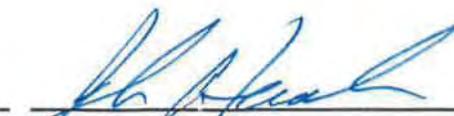


John Dietz
General Manager/Engineering and Operations Manager, McMinnville Water & Light

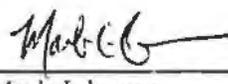


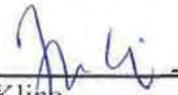
Rick Dunn
Senior Director of Engineering and Power Management, Benton PUD

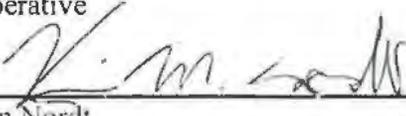

Jason Dunsmoor
General Manager, Pacific County PUD #2


John Haarlow
CEO/General Manager, Snohomish County PUD


Chad Jensen
CEO, Inland Power and Light

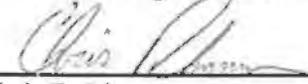

Mark Johnson
General Manager, Flathead Electric Cooperative

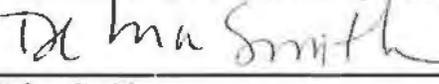

Roger Kline
General Manager, Northern Wasco PUD

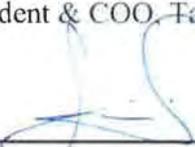

Kevin Nordt
General Manager/CEO, Grant PUD

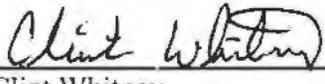

Travis "Bear" Prairie
General Manager, Idaho Falls Power

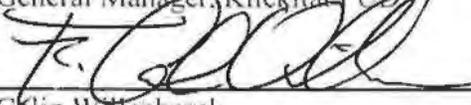

Will Purser
Commissioner, Clallam County PUD

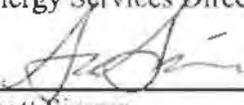

Chris Robinson
Superintendent & COO, Tacoma Public Utilities


Debra Smith
CEO, Seattle City Light


Jim Smith
General Manager, Klickitat PUD


Clint Whitney
Energy Services Director, City of Richland


Cblin Willenbrock
General Manager, Pend Oreille PUD


Scott Simms
Executive Director, PPC