



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Barofsky, Schlossberg, Brown, Carlson, and Morris

FROM: Frank Lawson, General Manager; Deborah Hart, Assistant General Manager; Brian Booth, Chief Energy Resources Officer

DATE: July 8, 2025

SUBJECT: 2028 BPA Product of Choice Resolution for Recommendation and Next Steps

OBJECTIVE: Action & Information

Issue

EWEB must select a Bonneville Power Administration (BPA) product for its next power contract, referred to as “Provider of Choice” contract, by July 2025. Management is requesting approval for Resolution Number 2515 (herein as Attachment A) authorizing the General Manager or designee to negotiate and execute a Block with Shaping plus Peak Load Variance Service contract from the Bonneville Power Administration. Pertaining to this matter, “negotiate” is refers to the formal engagement in pursuit of agreement.

Background

EWEB must make a product selection under the BPA Provider of Choice contracts by July 2025 that best aligns with our long-term strategic objectives. BPA is offering four base product options: Load Following, Block, Block with Shaping (with optional Peak Load Variance Service) and Slice/Block. These products range from full-service (Load Following) to minimal-service (Slice/Block), with EWEB filling any service level gaps with non-federal resources or market purchases.

For additional background on the role of BPA as the foundation of EWEB’s portfolio and the key elements of the 2025 ERS presented to commissioners over the last year, see the list of links to relevant materials below:

- EWEB Website: [2023 Integrated Resource Plan](#)
- 2025 Energy Resource Study Board of Commissioners Presentations:
 - Board of Commissioners Regular Meeting – March 5, 2024: [2025 IRP & Energy Resource Study Kickoff, Scope & Analytical Plan](#)
 - Board of Commissioners Regular Meeting – July 9, 2024: [2025 Energy Resource Study: BPA Product Choice Overview](#)
 - Board of Commissioners Regular Meeting – September 3, 2024: [Annual Energy Resource Study Update](#)
 - Board of Commissioners Work Session – October 15, 2024: [Qualitative Considerations for BPA Product Choice](#)
 - Board of Commissioners Regular Meeting – December 3, 2024: [2025 Energy Resource Study: Initial Results of BPA Quantitative Analysis](#)
 - Board of Commissioners Work Session – April 15, 2025: [Energy Resource Study: BPA Product Election Analysis](#)

- Board of Commissioners Regular Meeting – May 6, 2025: [BPA Product Initial Recommendation](#)
- Board of Commissioners Work Session – June 17, 2025: [BPA Product Recommendation](#) (herein as Attachment B)

Discussion

Management's Product Recommendation

The BPA Product Recommendation from management was discussed at the June 17th work session. EWEB management recommended the Block with Shaping product plus Peak Load Variance Service (PLVS) because it provides greater operational flexibility while still leveraging access to at-cost federal energy and system capacity. Although management's initial leaning favored Load Following for maximizing federal power access, management found that Block with Shaping better aligns with EWEB's mission and strategic objectives by offering more flexibility to support economic development, electrification, local distributed generation, and optimization of non-federal generation.

The recommendation acknowledged that while Block with Shaping has more cost uncertainty compared to Load Following, this uncertainty can be mitigated through various countermeasures, and the overall portfolio costs between the two options are largely similar over the 16-year contract period. Overall, management believes that Block with Shaping provides the best balance of cost-effectiveness and operational flexibility to serve the community's evolving energy needs. The reasoning is further explained in the June 17th Work Session background memo, included herein as Attachment B.

Next Steps for BPA 2028 Provider of Choice contract

EWEB will notify BPA of our product choice by letter before July 18, initiating the contract development and completion phase. From July through December 2025, EWEB and BPA staff will collaborate to populate the Block with Shaping contract template, customizing it based on our product selection and updating exhibits with relevant load and resource information. The final contract will define EWEB and BPA obligations and entitlements, detail the Block with Shaping product functionality customized for EWEB, and address standard provisions including dispute resolution, billing arrangements, and other necessary terms. The General Manager is expected to sign the completed contract in December 2025.

Recommendation & Requested Board Action

Staff wish to thank Commissioners as individuals, and collectively as a Board, for their guidance and collaboration in the process of selecting a product option from BPA. Management recommends that the Board approve and adopt Resolution Number 2515, as drafted and presented by staff under the guidance of Commissioners and as deliberated by the Board in public session over several years.

Recommended Motion: "...move to approve Resolution Number 2515, a resolution authorizing the General Manager or designee to execute the Block with Shaping plus Peak Load Variance Service agreement with the Bonneville Power Administration."

Attachment(s)

- A – Resolution 2515 – ***Authorizing the General Manager, or designee, to execute the Block with Shaping plus Peak Load Variance Service Agreement from the Bonneville Power Administration***
- B – Background Memo – BPA Provider of Choice Work Session, June 17, 2025, which describes the basis for product choice recommendation.

**RESOLUTION NO. 2515
JULY 2025**

**EUGENE WATER & ELECTRIC BOARD
RESOLUTION AUTHORIZING THE GENERAL MANAGER, OR DESIGNEE, TO
EXECUTE THE BLOCK WITH SHAPING PLUS PEAK LOAD VARIANCE SERVICE
AGREEMENT FROM THE BONNEVILLE POWER ADMINISTRATION**

WHEREAS, the Eugene Water & Electric Board (EWEB) is a customer-owned municipal utility; and

WHEREAS, authority for the powers and functions vested in EWEB is established by Chapter 10, Section 44, of the Charter of the City of Eugene, (1976), as amended; and

WHEREAS, EWEB is entitled by federal law to purchase of wholesale power and related services from the Bonneville Power Administration (BPA) on a long-term basis at preference rates; and

WHEREAS, EWEB's current long-term wholesale power purchase agreement with BPA will expire on September 30, 2028 (the "Expiring BPA Contract"); and

WHEREAS, EWEB staff has analyzed numerous power supply products offered by BPA, and other alternatives, to replace the Expiring BPA Contract on a long-term basis; and

WHEREAS, EWEB's 2023 Integrated Resource Plan concluded that purchasing Tier 1 power from BPA would be a preferred option to provide the foundation of EWEB's power portfolio after September 2028; and

WHEREAS, EWEB's analysis further indicates that executing a new wholesale power purchase agreement with BPA for the period of October 1, 2028 through September 30, 2044, for the Block with Shaping product with Peak Load Variance Service, on terms and conditions offered by BPA (the "BPA Block Plus Shaping and PLVS Contract"), will meet EWEB's reasonably expected future needs for cost-effective and carbon-free wholesale power while maintaining local control, access to market signals, demand response incentivization, and customer engagement; and

NOW, THEREFORE, BE IT RESOLVED by the Eugene Water & Electric Board, that the EWEB General Manager, or designee, is granted the authority to designate the BPA Block with Shaping and Peak Load Variance Service as EWEB's product choice for the period of October 1, 2028, through September 30, 2044; and

NOW, THEREFORE, BE IT FURTHER RESOLVED that the EWEB General Manager, or designee, is granted the authority to negotiate and execute a BPA Block with Shaping and PLVS Contract in such form as acceptable to the General Manager, subject to any necessary further approvals and consents.

DATED this 8th day of July, 2025.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its July 8, 2025 Regular Board Meeting.

Assistant Secretary



TO: Commissioners Barofsky, Schlossberg, Brown, Carlson, and Morris

FROM: Frank Lawson, CEO & General Manager; Deborah Hart, AGM & Chief Financial Officer; Brian Booth, Chief Energy Resources Officer

DATE: June 13, 2025 (Work Session, June 17, 2025)

SUBJECT: Management Recommendation – BPA “Provider of Choice” Product Selection

OBJECTIVE: Discussion and Direction

Issue

EWEB must select a type of Bonneville Power Administration (BPA) “Provider of Choice” product by July 2025, which will define EWEB’s access to federal electricity supply under a new contract commencing October 1, 2028. Included herein is EWEB Management’s BPA product recommendation for discussion and review by the Board.

Background

At the May 6, 2025, meeting of the Eugene Water & Electric Board, management solicited feedback from Commissioners related to an initial “leaning” recommendation to select a “Load Following” contract option from BPA. The basis for this recommendation was management’s conclusion that a Load Following contract maximized EWEB’s access to at-cost federal energy (MWhs) and capacity (peaking capability) within existing load levels (limits), was the least-cost option under likely future market and consumption scenarios, minimized cost uncertainty and risk, and provided an ability for the organization to independently evaluate portfolio management options and owned-generation facilities in the future. The background materials can be found at [\[May Product Choice LINK\]](#) and the staff presentation and Board discussion at [\[May 2025 BPA Product Presentation LINK\]](#).

Additional Background (Previously provided in the May background memorandum)

As a “Preference Customer”, under the Northwest Power Act, EWEB has access to federal at-cost energy and capacity for our “net requirements” from BPA. BPA’s negotiations with its preference customers, like EWEB, for the new BPA “Provider of Choice” contracts are nearing completion and EWEB must make a product selection by July 2025 that best aligns with our long-term strategic objectives. BPA is offering four base product options: Load Following, Block, Block with Shaping (with an optional peaking service called Peak Load Variance Service, PLVS) and Slice/Block. These products range from full-service (Load Following) to minimal service (Slice/Block), with EWEB filling any service level gaps with non-federal resources or market purchases.

To develop a product recommendation, EWEB staff completed an Energy Resource Study (ERS) to compare BPA product options. The final ERS was discussed at the April 15th work session and indicated that the leading product candidates were Load Following, and Block with Shaping including BPA’s PLVS peaking service). These product options offered the lowest overall portfolio cost over the life of the contract.

For additional background on the role of BPA as the foundation of EWEB’s portfolio and the key elements of the 2025 ERS presented to Commissioners over the last year, see the list of links to relevant materials below:

- EWEB Website: [2023 Integrated Resource Plan](#)
- 2025 Energy Resource Study Board of Commissioners Presentations:
 - Board of Commissioners Regular Meeting – March 5, 2024: [2025 IRP & Energy Resource Study Kickoff, Scope & Analytical Plan](#)
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Discussion

Management and staff have further evaluated the criteria impacting a product selection for the BPA “Provider of Choice” post-2028 contract. While it remains true that it is a choice between two good choices to serve our community, with new information and further analysis and alignment with the organization’s mission, vision, values, and strategic plan, the following recommendation has been developed.

Management Recommendation

Revised from management’s initial “leaning” and recommendation, as presented to the EWEB Commissioners on May 6, 2025, management’s final recommendation will be for the Board, via Resolution presented for approval in July, **to direct the General Manager to negotiate and execute a contract with the Bonneville Power Administration consistent with the product features described as “Block with Shaping”, initially supplemented with a “Peak Load Variance Service”.**

Assessments Since the Initial “Leaning” Recommendation

Since the initial recommendation was presented to the Board in May, management has taken deeper dives into certain issues, alignment with EWEB’s vision and strategy, while new and evolving information has become further clarified. Specifically, management now has an improved understanding of the following that are informing the revision of the initial recommendation.

- ❖ **Details of the contractual components**, including billing determinants, rate making, areas of contractual risk and uncertainty, and operational methodologies.
- ❖ **Operational impacts to EWEB** associated with both Load Following, BWS, and PLVS, specifically about day-to-day portfolio management requirements, constraints, and opportunities.
- ❖ Implementation of **peaking service options** that leverage the federal system, specifically PLVS Annual, Winter, and Summer options.
- ❖ **Community interests and perspectives** on BPA product impacts, as discussed with some large key accounts, and active participants in EWEB’s Community Table focus group.
- ❖ Practicality and **potential impact of countermeasures** available to mitigate market, contract, uncertainty and risks.

Qualitative Benefits

While management’s initial recommendation for Load Following was based on maximizing access to at-cost Tier 1 power, this access is limited to a Contract High Water Mark (CHWM) requiring EWEB to

acquire and manage non-federal resources both as part of existing and future loads. The operational constraints associated with Load Following also limit EWEB's ability to respond to economic development opportunities, electrification, distributed generation, and ability to develop demand-side customer programs. Therefore, based on improved and evolving understanding of the aforementioned issues, Block with Shaping, in combination with a BPA peaking service option (PLVS) still leverages EWEB's access to at-cost federal energy (MWhs) and capacity (peaking capability) within existing load levels (Tier 1 limits), while also providing better alignment with EWEB's mission and vision, and allowing opportunities to minimize risk and focus the organization. Both product options allow EWEB to assess future business models, ranging from portfolio management options to portfolio makeup and construction (e.g. owning generation). As compared to a Load Following product, Block with Shaping (and peaking service), has greater flexibility beyond existing (Tier 1) load limits, which lowers barriers and/or better facilitates EWEB's role in:

- ❖ Economic Development: EWEB will have more latitude to procure and manage power resources to serve new consumers.
- ❖ Electrification: EWEB will have more flexibility to support electrification of varying types, including at peak times when resource and load flexibility (including impacts of conservation) is most critical.
- ❖ Distributed Generation: EWEB will have more freedom to develop or change distributed generation programs to help "tailor" these resources to best serve load or the market.
- ❖ Consumption Management: EWEB will have more ability to optimize products and programs (such as Time of Day Pricing and Demand Response) that are based on more direct behavioral pricing signals and are better aligned with near-term avoided costs.

Portfolio Modeling & Mitigation of Cost Uncertainty

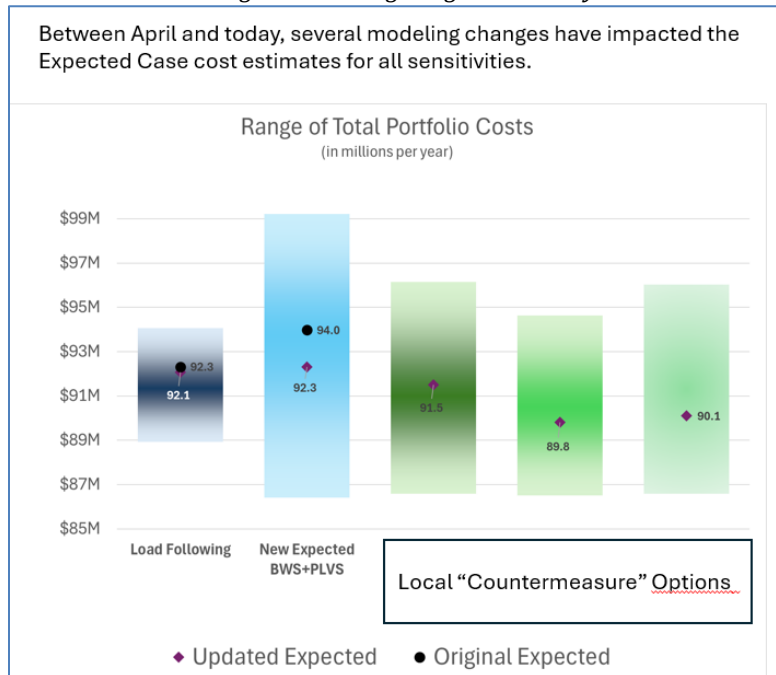
Although the initial recommendation recognized that Load Following creates the greatest stability of at-cost Tier 1 wholesale power supply costs and reduces the need to focus on managing portfolio cost uncertainty, specifically when considering peak capacity and transmission access, this cost uncertainty can be mitigated with a Block with Shaping (and peaking service) product while simultaneously creating opportunities for cost improvements especially when loads surpass EWEB's at-cost (Tier 1) limit.

Throughout the product evaluation process, EWEB evaluated and compared the differences in projected energy resource portfolio costs (including non-Federal resources) of several BPA product choices necessary to meet EWEB load over the lifespan of the contract. Given that BPA represents more than 80% of EWEB's present overall energy portfolio (to load) regardless of the product selection, staff were not surprised to find that overall portfolio costs over the life of the contract (17 years) were largely similar across products. EWEB staff have presented these sensitivities and scenarios, based on future forecasting to the Board in previous forums

In other words, under forecasted likely futures, including sensitivities to several variables and alternative scenarios, financial differences between the product choices were negligible and should not be the primary driver of the product choice.

However, while some greater uncertainty existed in the non-Load Following options (i.e., "planned products," including Block with Shaping), the band of uncertainty is within a few percentage points. Since April, staff have evaluated the practicality and impact of countermeasures to mitigate the uncertainty. Specifically, staff have examined several possible options, including local agreements with customers and generators (Diagram A below). Under some scenarios, these countermeasures as applied to a Block with Shaping (and PLVS) product resulted in the least-cost contract option.

Diagram A - Mitigating Uncertainty



Economic Development and Customer Programs

Under a Load Following contract, EWEB could maximize its leverage of the federal system only within the Contract High Water Mark (CHWM) net requirement limits, which is based on historical loads and EWEB's net energy and capacity production from hydro facilities dedicated to serving load (e.g. Carmen-Smith, Walterville). Unlike past federal contracts, energy and capacity growth beyond these limits will not be available at-cost, requiring EWEB to procure and manage the resources required for economic development (new loads), electrification, and organic community growth. Additionally, the shaping of non-federal resources to optimize the fulfillment of these emerging needs will continue to be EWEB's responsibility.

Still consistent with the initial recommendation, along with the BPA product decision EWEB can also focus on demand-side challenges and opportunities – initiatives like rate design, customer programs such as efficiency and demand response, smart electrification and organic load growth, and local economic development. Increasing focus in these areas will also create clearer constraints and force EWEB to evaluate our present and future approaches to effectively acquiring, managing, and delivering energy. This means supply-side portfolio management functions like client services, preparing for new markets, and new generation opportunities will require a thoughtful evaluation in the future beyond 2028.

Transmission

EWEB is a BPA Network Transmission, or "NT", customer, which means that BPA plans and manages its transmission network to serve EWEB's load from our 'network' of resources. Currently, EWEB has enough transmission rights to cover our existing load (including peak) under all product options. Under the BWS product, EWEB will use the transmission access to schedule load and resources. For the PLVS peaking service, BPA will cover up to EWEB's 1-in-10 peak with the product, and EWEB will then use remaining NT rights to schedule non-federal resources to make up the difference. Under the Load Following contract, BPA will pool Load Following customer transmission rights to serve the pooled customer load. EWEB will use the remaining transmission rights to schedule our existing dedicated resources.

As for growth scenarios, if EWEB's load grows at our historical rate, BPA is expected to plan and manage the system to accommodate this. However, given regional load growth and transmission constraints, BPA may not be able to accommodate requests for new firm transmission rights without new builds, especially across East/West paths that connect EWEB to high value renewable energy sources. In these cases, EWEB may also evaluate other transmission providers, one of which already physically connects to our local system at an EWEB substation. Under current practices, BPA prioritizes deliveries from the federal system, which may point towards slightly less risk for utilities who are fully reliant on BPA (customers who are Load Following and choose Tier 2). BPA is reviewing transmission practices, and these policies may change in the future.

Contractual Uncertainty

Both a Load Following and Block with Shaping (and Peaking Service) contract will contain uncertainties and risks associated with yet-to-be-defined details related to billing determinants, rate making details, and/or operational methodology. Overall, uncertainties and risks associated with a Load Following contract can be characterized as "operationally constraining", while those associated with Block with Shaping (and Peaking Service) are associated with "new service development".

Under the Load Following contract, BPA would require EWEB to deliver firm power to load to meet our existing 'dedicated' resource obligations (e.g. Carmen-Smith). BPA's oversight and operational stringency related to how EWEB manages these "dedicated" resources will create degrees of operational overhead and deoptimization. Surplus energy created by EWEB's dedicated hydro resources will require access to the market, either directly by EWEB staff or through a third party. Under-delivery for EWEB's resource obligation, when BPA is planning on those resources, will result in penalties for EWEB, as BPA would have to fill additional unplanned "net requirement" energy or peaking capacity to EWEB. "Non-dedicated" resources will be marketed and will not serve local EWEB load.

Under a Block with Shaping (and Peaking Service) contract, billing determinants and rate uncertainty associated with peaking services are undefined, specifically how the peaking service will be priced and billed, how 1-in-10 peaks will be determined, and how resource adequacy requirement (e.g. Western Region Adequacy Program, WRAP) accreditation will be established and managed. This type of uncertainty contributes to the wider potential cost variability of the Block with Shaping product over the life of the contract, as incorporated into EWEB's financial modeling.

Other Considerations

Several other differences between the Block with Shaping and Load Following products are not significant enough or certain enough to bear strongly on EWEB's product decision. These differences may become more influential in the future as further details emerge.

Recommendation

Management will request Board approval of a resolution at the July meeting of the EWEB Commissioners directing the General Manager to negotiate and execute a contract with the Bonneville Power Administration consistent with the features described as a "Block with Shaping" product, initially supplemented with a "Peak Load Variance Service".

Board Action

No Action is required at this work session, which is intended to facilitate dialog and discussion between Commissioners and with staff.