



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of October 27, 2025

Title/Subject

Resolution 2395 – Accepting and Approving HES Power Sales Agreement with Bonneville Power Administration.

Summary and Background

Council to pass a resolution accepting and approving a power sales agreement, Contract No. 26PS-25040, between the Bonneville Power Administration and the City of Hermiston dba Hermiston Energy Services and authorize the mayor to sign.

The City of Hermiston through Hermiston Energy Services currently purchases power from the Bonneville Power Administration (BPA) under its “Regional Dialogue” (RD) contract (2011-2028). This federal contract supplies the power necessary to serve 100% of HES’s electric load. Since the formation of Hermiston Energy Services in 2001, HES has exercised its “preference” rights, pursuant to the Northwest Power Act, and relied on BPA to deliver power from the Federal Columbia River Power System (FCRPS) to its customers.

BPA has offered Hermiston Energy Services a power sales agreement to succeed the RD contract and provide power service through 2044. To be binding, HES must accept the contract offer. This contract is referred to as the “Provider of Choice” (POC) contract and is a result of years of collaborative engagement between BPA and its customers to craft a durable and comprehensive contract offering.

HES purchases a “Load Following” product from BPA, which supplies power in the shape of the customer’s load and BPA carries the planning obligation to meet a customer’s peak load needs. HES has chosen this product because the nature of its load profile requires power service to be responsive to large fluctuations in demand.

The POC contracts allocate to customers a portion of the output of the FCRPS, known as a customer’s Contract High Water Mark (CHWM). Final CHWM’s will be calculated in mid-2026 and inserted into customer contract exhibits. Soon after, HES will make a contract election for Above-CHWM load service. HES will also look to BPA to provide power to serve its Above-CHWM load if reached during the POC contract duration.

Initially, BPA’s timeline for contract execution included a deadline of December 5, 2025 for customers to sign and return contracts. BPA had indicated that it would then sign and fully

execute agreements by December 31, 2025. However, BPA has recently accelerated its schedule for executing POC contracts and committed to counter-sign agreements immediately upon receipt from customers. The reason for this change in schedule is the desire to secure public customers' contract rights to power at cost from BPA as soon as possible. Trade organizations like the Public Power Council (PPC) and Northwest Requirements Utilities (NRU) have encouraged their members to sign and return contracts to BPA expeditiously to secure contractual rights to power. NRU staff shared that they "have heard concerns from BPA and elsewhere with respect to potential threats to the availability of cost-based power, including from changes to the Northwest Power Act and to public preference in general."

While this recent development may add some urgency for HES to sign its contract with BPA, it is not a decision made in haste or with undue influence. The contract has been carefully considered, and staff is confident in its recommendation to Council.

Tie-In to Council Goals

Goal 3: Sustainable: Fiscal; Maintain Service Levels, Strengthen Internal Operations to Support Sustainability, Accountability, and Transparency.

Fiscal Information

Ongoing known expenditure tied into annual department 13 budget process and Cost of Service Analysis (COSA).

Alternatives and Recommendation

Approve Resolution 2395

Deny Resolution 2395

Recommended Action/Motion

It is staff's recommendation that Council accept and sign the Provider of Choice Power Sales Agreement offered by BPA. HES staff is confident that the contract meets the needs of HES and its customers for reliable and cost-effective power service through 2044.

Submitted By:

Nate Rivera, HES General Manager