PNGC Power
Smart. Local. Connected.

May 5, 2022

Ms. Kim Thompson
Bonneville Power Administration
PO BOX 3621
Portland, OR 97208

Via email

Dear Kim,

PNGC's initial comments regarding the "Provider of Choice Introductory Workshop" held on April 21, 2022 follow. Our basic points remain unchanged from those we have made for several years now and those articulated in the PNGC's 3.31.2022 Concept Paper submitted to BPA.

- 2025 is too late for either BPA or customers to begin plans to fill in known and growing resources gaps by October 1, 2028. We take reliability very seriously and the RA program is going to create new resource requirements for all of us. BPA needs to know what customers will require (and commit to) from the FCRPS and customers need to know what resources, provided at actual cost, they can count on from BPA. Absent clarity and certainty, we are all playing "electric-chicken" by assuming someone else will shoulder the challenge of a Tier 1 resource pool that is insufficient to meet public power's net requirements at the start of the next power supply contract. We strongly encourage BPA to find ways to move the final contract proposal date earlier than currently planned.

- We expect BPA to serve our net requirements (capacity and energy) at actual cost-based rates, as required by statute, regardless of the region's preference to maintain the TRM construct into the next contract. We think the statutes on this are crystal-clear. In our view, it goes against BPA's statutory obligations to create a structure whereby some preference power customers enter the next contract with sufficient Tier 1 resources to meet net requirements, while others may be left "exposed" to shortfall just because sufficient utilities would like to 1) maintain the benefit of surplus sales to offset their PF rate, or 2) more egregiously, "reserve" contract high water mark headroom above their need (from the very beginning of the new contract) just in case their customer load might grow into that reserved amount at some point in the future. If the federal system has output available and there is a need to meet net requirements by preference customers, then serving net-requirements at anything other than FCRPS power at cost-based rates is not consistent with BPA's statutes.

- PNGC thinks it is both consistent with BPA's statutes and simply the fairest outcome to start the next contract with a level playing field, as was done with the RDC, which means that all customers have the same opportunity to have their full net requirements (capacity and energy)

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met by BPA at cost-based rates. BPA can set a proper path early in the process by making clear policy and statutory statements in its own concept paper indicating, specifically, how it intends to allocate the Tier 1 system (capacity and energy) across public power in the next contract.

- PNGC thinks that BPA can augment the federal system with carbon-free power to meet net-requirements (including possible returning customers) with little or no impact to the current BPA rates. Our assumption is based on substantial empirical evidence (BPA trading floor activity) about the availability of capacity in the FCRPS and the current cost of new renewable resources.

- We understand that BPA is obligated to meet our net requirements at cost. BPA would benefit from customer acquisition of resources to meet net requirements rather than having to acquire resources on our behalf. It is reasonable to consider how the federal system capabilities can be leveraged, and how rates can be established, to jointly meet net requirements in the most cost-effective manner, whether resources are acquired by BPA (augmentation) or by customers. If a customer acquires the resource needed to augment Tier 1 allocation to meet net requirements, a billing credit arrangement could be implemented, as has been done in the past, to allow BPA to continue to optimize the actual assets across its portfolio. Customer ability to utilize the full benefits of the federal system that we fund through Tier 1 rates is a critically important element of the next contract.

- Transfer service is an important piece to keep front and center. BPA has an obligation to deliver preference power, and it is unreasonable to think that after all these years, transfer customers would either be “cut loose” or be asked to bear the cost alone, while the transmission already built to serve others is a shared cost. Clarity on treatment of transfer service in the next contract, including transfer for non-federal resources, will be key in understanding the viability of the next contract for many preference customers.

- Understanding the terms and conditions BPA will be offering is of the utmost importance. Specific contract language and timing are essential for customers to make decisions to preserve a reliable and affordable power system for customers in the Northwest.

- We were pleased to see that consideration of the Residential Exchange is slated to begin concurrent with the contract negotiations. This is a critical cost element of the next contract and we need to work toward cost certainty now. The history of extensive litigation with what we expect will be wide differences of opinion is not wise to ignore. This level of uncertainty and cost is simply too high to leave unaddressed until the next round of contracts are signed.

- All BPA preference customers should be able to begin the next contract period with their net requirements (capacity and energy) being met at cost-based rates. Knowing the years upon which BPA intends to use to establish utilities’ net requirements sooner rather than later will help clarify many of the subsequent matters that need to be addressed in this contract.

- Making our power portfolios carbon-free is a growing policy goal in the region, which will be likely to intensify over the course of the next contract. If BPA finds its FCRPS power supply inadequate to meet all net requirements, new resources will need to be added to the system. We strongly encourage BPA to think about how the federal system can be used to integrate new resources in the region before sending power outside the region as surplus sales.

We look forward to continued dialogue and engagement throughout this process.

Pacific Northwest Generating Cooperative