

From: Jim Webb <jim@lvenergy.com>

Sent: Thursday, August 11, 2022 3:19 PM

To: Schwendiman, Celeste M (BPA) - PSE-BOISE <cmschwendiman@bpa.gov>; Schimmels, Nancy M (BPA) - PSE-MEAD-GOB <nmschimmels@bpa.gov>; Rick Knori <rick@lvenergy.com>; Zabyn Towner <ztowner@nru-nw.com>

Subject: [EXTERNAL] Re: Provider of Choice Comments

One correction to my transfer service bullet. I meant to say the cost of delivering non-federal power over transfer service has been rolled into the Tier 1 rates, not that we have been able to use the federal system to deliver non-federal power.

On Wed, Aug 10, 2022 at 5:39 PM Jim Webb <jim@lvenergy.com> wrote:

Dear Celeste,

I appreciate BPA's efforts to develop the Provider of Choice Concept Paper to guide the agency's negotiations with customers on post 2028 contracts. I offer the following comments.

- System Size - while I like the simplicity of locking in the system size at 7,000 aMW I would rather make more of the system available for headroom or customer growth by possibly using the monthly P35 methodology instead of the monthly P10. Approaching average water would increase the availability to the Tier 1 system for load growth but would also create more uncertainty and risk. BPA could address that risk through a cost recovery adjustment clause. Also, all customers should be given the same percentage of "headroom" for growth without any adjustments for conservation or prior loss of load. I agree that 2026 would be the appropriate year to use to calculate the CHWMs. However, consideration should be given for current contracts for Tier 2 resources with expiration dates early on in the new contract term. For example, we subscribe to the UAMPS Horse Butte Wind Project for part of our Tier 2 needs which expires in the mid-2030s. The intent of the TRM was to encourage utilities to develop resources, now Lower Valley could be penalized for doing so.
- Transfer Service - we need to maintain the full spirit of the ARTS agreement which embraces the principle of comparability. All BPA customers have benefited by BPA contracting with other utilities to deliver power to preference customers instead of duplicating transmission facilities. The spirit of the Tiered Rates Methodology was to encourage customers to build new generation to serve Tier 2 loads and relieve BPA of that responsibility. To encourage that, BPA has allowed us to use the federal transmission system to deliver non-federal power without being penalized. To then change that established practice and directly assign transfer costs for delivery of non-federal power moves away from the principle of comparability. That change would make it difficult for Lower Valley to use anything but federal power to meet our Tier-2 needs.
- Carbon Free - we appreciate the need of customers in states with carbon reduction requirements such as Washington and Oregon. It is a good thing for BPA to provide such a product to those customers. We are arguing that the additional cost of moving to 100% carbon free should be paid for by those who need it and that utilities like Lower Valley who don't have the same statutory requirements should not have to pay the higher cost to green up the system. Specifically, if there is an interest in separating out the fuel type

and other attributes of the federal system and conveying them to a subset of customers, they should be willing to pay for them.

- New Resources - we support individual utilities being able to add non-federal resources up to 5 MW or 50% of the CHWM to offset load that would otherwise be eligible to be served by federal power. Our concern is to ensure that existing "Small Non-dispatchable New Resource Treated Equivalently to an Existing Resource Exception" SNEER resources and small resources that existed before the Regional Dialogue contracts continue to receive that same treatment. For Lower Valley that would include our Swift Creek and Strawberry hydro projects.
- Tier 2 One-Time Election - we object to BPA's proposal to require customers to make a one-time election applying to the entire 20-year contract for serving its Above-HWM Load with either federal or non-federal resources. It would be good to have some flexibility to make changes with reasonable notice to BPA as the power supply landscape changes over the contract period.
- Irrigation Discount - we appreciate the need for the irrigation discount but it needs to be made available to all irrigators in the region and not just a subset of customers who happen to have applied before a certain date as it is currently being managed. Lower Valley's irrigation customers do not currently qualify for the discount because we did not apply for it prior to the magic date. This puts our irrigation customers at a disadvantage over other irrigators in the Region.

Thank you for the opportunity to comment on BPA's Provider of Choice Concept paper and I look forward to further discussions on these important topics.

Jim Webb