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RE: BPA Provider of Choice Concept Paper

The Public Power Council (PPC) appreciates this opportunity to comment on BPA's Provider of Choice concept paper that was presented on July 21. PPC represents the interests of consumer owned, public power utilities that are eligible as preference customers to receive delivered power from BPA via the Provider of Choice power supply contract. PPC's members span the full range of municipal, tribal, people's or public utility districts, and cooperative utilities across the Northwest.

The breadth of BPA's concept paper is wide and far reaching. It addresses a host of policy and contractual considerations that public power and BPA must collectively assess and then determine within final post-2028 contract provisions. According to BPA's proposed Provider of Choice policy workshop schedule, the first set of policy issues to be discussed are system size, contract high water mark ("CHWM"), capacity, and carbon. Thus, the following comments focus largely on these issues. Additionally, both BPA and public power have used the current Tiered Rates Methodology and contract products as the starting reference point for these policy deliberations. It should be noted that public power's primary tenet when applying the current methodology and products was that any proposed modifications would lead to a Provider of Choice contract that is equal to or superior to that of Regional Dialogue.

PPC appreciates BPA's willingness to provide various options for establishing a Tier 1 system size in the Provider of Choice framework. Amongst the range of potential system sizes, BPA offered a recommended option is to fix the Tier 1 system size at 7,000 aMW. PPC understands there is a growing sense amongst public power that a larger Tier 1 system via system augmentation may be necessary to meet public power's net requirements in the post-2028 contract. Thus, we would like to further pursue the implications of a larger Tier 1 system size via system augmentation to meet net requirements, which includes potential system augmentation from specific generating resources. We agree with BPA's list of potential considerations when assessing system expansion beyond its current firm generation capacity, which are carbon, secondary sales, federal based system resource loss, rate stability, and the more qualitative issues related to resource acquisition. In addition, we would like to work with BPA to also evaluate potential Tier 1 and Tier 2 Rate impacts, operational impacts, overall resource firmness and the

downstream implications for each product category. PPC also appreciates that this analysis has been identified as the first order of business in the Provider of Choice workshops—we believe this must be addressed at haste in order to better understand the downstream impacts of the other policy considerations.

At this time, the mechanics of BPA's CHWM proposal is generally consistent with public power's concept paper in terms of the basic CHWM methodology and subsequent calculation that would be applied to calculate net requirements by deducting Existing Resources and New Large Single Loads from a customer's Total Retail Load. Additionally, both Bonneville and public power included adjustments for conservation, load loss, and weatherization. PPC, along with its partners in public power, are continuing to refine a CHWM method that includes BPA's proposed adjustments, though we do expect to bring forward some potential modifications. We anticipate that we will offer up any updated proposals as part of BPA's ongoing Provider of Choice workshops.

Capacity is a critical element of the Provider of Choice contract, and public power is highly interested in identifying capacity allocations that are implementable for all BPA customers. As part of its Provider of Choice concept paper, BPA proposed to establish a customer's average peak load forecast at the 50th percentile and has also proposed to explore using the WRAP method to determine peaking energy capability for both the federal system and customer's non-federal resources. Under this proposal to apply the WRAP peak net requirements, BPA's indicated that its objective was to eliminate the need to create a second set of capacity values. While further analysis is ongoing, PPC is highly concerned that the proposed Peak Net Requirements obligation would not only decrease the flexibility of the Slice/Block product, but for many customers, the proposal could potentially render the Slice/Block product unviable. With all that said, we were encouraged by BPA's stated willingness in both its concept paper and in its Provider of Choice workshop on July 21 to consider further alternatives to how peak net requirements are treated in the post-2028 contract. PPC looks forward to these discussions and working with BPA to collaboratively develop an alternate proposal.

In regards to carbon, public power concept paper stated a clear need for a 100% carbon free product option to not only meet the region's evolving regulatory requirements, but allow for preference customers to address the changing community desires for carbon free power supply options. To meet this need, public power presented a proposed carbon reallocation proposal that sought to address this state need and provide a 100% clean power supply while staying within the confines of BPA's statutory requirements. Unfortunately, BPA stopped short of providing a 100% carbon free product option in its concept paper, and instead laid out the three potential roadblocks that BPA and customers will collectively face a 100% carbon free product (statutory, CETA compliance, and administrative burden). While knowing that these considerations exist is noteworthy, PPC seeks to better understand what options may be available, and we appreciate BPA's stated willingness to continue working on towards a 100% carbon free product.

As noted above, BPA's Provider of Choice concept paper addressed a host of issues that stretch beyond system size, CHWM methodology, peak net requirements, and carbon. PPC want to emphasize the importance of issues such as the potential viability of CHWM exchanges, non-federal resource notification periods, expansion of BPA's Tier 2 Rate offerings, and BPA's

proposed customer off-ramp via CHWM reassignment. We look forward to addressing these issues in a substantive way once system size and CHWM methodology are better defined.

Sincerely,

/s/ Blake Weathers

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