



Alliance of Western Energy Consumers ♦ 818 SW 3rd Avenue, #266 ♦ Portland, OR 97204 ♦ 971-544-7169 ♦ nwenergyusers.org

February 7, 2023

Via Electronic Submission

John Hairston
Administrator and Chief Executive Officer
Bonneville Power Administration
911 NE 11th Avenue
Portland, OR 97232

Re: January 24th & 25th Provider of Choice Workshop

Dear Administrator Hairston:

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide feedback on Bonneville Power Administration’s (“BPA” or “Agency”) January 24th and 25th workshop, wherein the Agency set forth its policy intent and design for several key Provider of Choice provisions. AWEC appreciates BPA’s consideration of stakeholder feedback and its diligent work on an initial framework that in many ways achieves the “no worse off” objective that had general support from AWEC and public power.¹

AWEC is uniquely situated in that its membership pays the ultimate cost of BPA’s rates charged to its utility customers, and that its members take service from a number of public power customers. These public power customers are themselves often differently situated along the lines BPA identified – “stable utilities,” “utilities with self-funded conservation,” “growing utilities” and “small utilities.”² AWEC’s members’ loads are also diverse – including but not limited to some contracted for, committed to load, New Large Single Loads, and some served by non-federal resources in lieu of Tier 2 rates. As such, AWEC’s comments are focused on issues common to its membership and should be taken as high-level, initial feedback on a set of complex matters that may be further refined as it continues to undertake additional analysis regarding the implications of BPA’s proposals. AWEC’s positions may be further informed by discussion of issues outside the scope of the January 24th and 25th policy intent and design, such as Tier 2 rate options.

Generally speaking, AWEC is encouraged by BPA’s updated proposed framework as a starting point. Specifically, AWEC appreciates continuation of tiered rates

¹ E.g. Snohomish PUD Comments on Provider of Choice Q4 2022 Workshops, at 2 (Jan. 9, 2023); Seattle City Light Comments on December 8th and 14th Provider of Choice Workshops, at 1 (Jan. 6, 2023); Perspectives from Puget Sound (P^3) Presentation from Seattle City Light, Tacoma Public Utilities and Snohomish PUD, at slide 3 (Dec. 14, 2022); Eugene Water & Electric Board Provider of Choice Presentation, at slide 15 (Dec. 14, 2022).

² Bonneville Power Administration, Provider of Choice Workshop: Rate Construct, CHWM, and System Size Policy Intent & Design, at slide 10 (Jan. 24-25, 2023).

similar to the Tiered Rate Methodology (“TRM”) adopted in the Regional Dialogue contracts, which will preserve the value of the Tier 1 rates.

Preserve the value of Tier 1 Rates

As discussed in its October 12, 2022 comments, AWEC continues to support tiered rates and the underlying principle that tiering rates best preserves the value of the current, low-cost Federal Columbia River Power System (“FRCPS”) for preference customers. AWEC also concurs with BPA that customers should be insulated, as much as possible, from the costs associated with other customers’ load changes and resource decisions.

Contract High Water Mark (“CHWM”) calculations and size of the Tier 1 system play an integral role in preserving the value of Tier 1 rates. AWEC understands that utilities have fared differently under the Regional Dialogue contracts, which has led to a situation where some level of “reset” is needed for Provider of Choice.³ AWEC is cautiously optimistic with BPA’s proposal to calculate its Tier 1 load obligation taking a “bottom-up” approach based the sum of calculated CHWMs for each utility. The same holds true for calculation of the CHWMs themselves based on the eight CHWM calculation and adjustment elements, but stakeholders need time to work through BPA’s model. It is apparent that changes to inputs – including the year selected for the index year, the level of conservation adjustment, the level of load growth adjustment, etc. – may have significant consequences on the size of the Tier 1 system, which raises a corresponding question about augmentation and/or the scaling adjustment. Identifying the optimal balance of these issues will necessitate additional analysis and sensitivities in order to determine whether modifications to one or more calculation elements are necessary and consistent with the policy goals identified.

As a bookend, at this time, AWEC does not support calculation of CHWMs, regardless of how calculated, that would require significant augmentation of the FCRPS at the start of Provider of Choice contracts. Ideally, AWEC would like to see an outcome that does not result in any system augmentation to set initial CHWMs for the beginning of the contract term. AWEC understands, however, that some level of modest, low-cost augmentation may ultimately be warranted in order to obtain consensus. At this early stage, AWEC supports a conservative approach to BPA’s Tier 1 load obligation as the best way to maintain the value of the Tier 1 system. AWEC agrees with Eugene Water and Electric Board that “[d]eveloping robust tier 2 products is preferable to open-ended or ‘excessive’ augmentation.”⁴

Federal System Changes

BPA has solicited feedback regarding the issue of how to manage changes to the federal system, noting that the contracts could 1) assign BPA all risk related to changes to system

³ See Tacoma Power POC Post-2028 November 9th Workshop Comments (Nov. 17, 2022); Northwest Requirements Utilities Comments (Aug. 25, 2022).

⁴ EWEB Provider of Choice Comments, at 2 (Jan. 10, 2023).



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size, 2) predetermine how to adjust the CHWM in the event of changes to system size, or 3) set a process for managing adjustments to CHWM in the event of changes to the system size. In the case of relatively routine adjustments, such as those caused by variation in water years, it is appropriate for BPA to manage this risk on behalf of customers by engaging in modest augmentation as needed to maintain a fixed system size, and passing along the benefit of excess sales during good years. BPA and customers should agree to a threshold up to which BPA should bear the risk of changes to the federal system,

For significant, persistent changes to the federal system – such as could be caused by a partial or entire loss or unavailability of a major federal project – this circumstance should be addressed pursuant to a *process* agreed to as part of the Provider of Choice contracts. Provider of Choice contracts should include a definition of the type of event that would trigger the process by which the CHWMs could be scaled, or, if preferable, augmentation would occur at some level. This would allow for a discussion of what remedy is most appropriate to avoid undermining the value of Tier 1 rates contemplated at the beginning of the contract term. AWEC does not support BPA acquiring resources necessary to maintain a fixed system size without a thorough process with customers and stakeholders, such as AWEC, even if such augmentation would be consistent with BPA’s current resource procurement policy and the NW Power and Conservation Act.

In a situation where the aggregate CHWMs established as part of tiered rates is lower than the fixed system size, creating headroom in the federal system, BPA should remarket the surplus and credit sales to the Tier 1 cost pool as it does today. This treatment maintains the value of Tier 1 by remarketing power at a market rate through maintaining alignment between costs incurred and benefits received.

Non-federal Resource Development

AWEC understands that BPA needs to play a role in the region related to resource development given anticipated load growth and clean energy requirements. Critically, BPA notes that “socializing costs associated with . . . nonfederal resourcing and/or resource integration” would tend to dilute the value of Tier 1 rates. AWEC generally agrees with this assessment and is wary of significant changes that would socialize those costs across Tier 1 customers. However, the region faces a unique environment wherein state policies are creating added demand for BPA’s low-carbon resources, load growth is likely to continue, and customers are threatened with the possibility of socialization of significant augmentation costs. In this environment, BPA should encourage the integration of new non-federal resources by customers – particularly low or zero carbon resources that will lessen the region’s overall reliance on BPA to address CETA and other policy demands.

AWEC supports continued discussions on whether certain costs, such as Resource Support Services (“RSS”) can be priced at embedded cost instead of marginal costs, or other possibilities to increase the viability of customer choice and investment in the system by addressing steep RSS charges while limiting cost-shifts among customers. For example, just as

it is common in throughout the U.S. for transmission interconnection studies to determine if transmission upgrades paid for by a generator provide system benefits that can be recognized through transmission credits, BPA should consider whether studies could identify system benefits resulting from the integration of customer owned generation. For example, would a renewable project installed by a customer avoid costly system augmentation, or free up carbon-free resources to help BPA meet system-wide CETA obligations? While AWEC does not have a specific proposal at this time, we recommend thoughtful investigation of whether development of beneficial customer-owned resources can be incentivized in the face of evolving public policy and resource scarcity.

Carbon Compliance

In its January 19, 2023 workshop, BPA addressed customer requests for products and options to address both existing and future carbon policies. During this workshop, BPA asked for feedback on whether a nineteen-year contract term, as opposed to a twenty-year contract term, would be beneficial in addressing concerns regarding utility compliance with Washington’s Clean Energy Transformation Act (“CETA”). AWEC is generally concerned with a contract term of either length, given the likely significant changes in energy policy that will take place over the next twenty or so years. There appears to be significant risk to customers within the region if BPA is unable to offer rate alternatives that utilities can use to meet CETA or other applicable legal requirements as these may change. Of course, it is also important that the costs associated with such alternatives should be borne by those customers opting for the product. AWEC does not see sufficient flexibility in the current long-term products as presented. As a path forward, AWEC recommends that Provider of Choice contracts reflect commitment to open discussions within five years after power deliveries commence under Provider of Choice to further refine product offerings or perhaps consider contract amendments that ensure that those customers who have low and no emissions legal requirements have the flexibility needed to cost-effectively meet their carbon needs.⁵

/s/ Bill Gaines
Executive Director
Alliance of Western Energy Consumers

⁵ AWEC understands that BPA cannot guarantee that any product it would offer could meet CETA or any other state policy requirements.