



*Energizing Life in Our Communities*

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Snohomish County PUD (Snohomish) appreciates the opportunity to comment on the topics discussed at the January 24 and 25, 2023 Provider of Choice workshops. Snohomish commends BPA Staff for the exceptional work and thoughtful consideration as they navigated difficult issues and produced the refined details of core contractual issues related to system size and allocation. It is clear that BPA staff was listening to customer feedback on both an individual utility level as well as minding regional policy issues affecting millions of individual ratepayers across the Pacific Northwest. This balance is important to maintain, as individual positional interests may not always reflect the best interest of the region as a whole, or the numbers of ratepayers who sit behind BPA contractual decisions.

The purpose of these comments is to provide feedback on the elements of what was presented that appear to be broadly acceptable to public power, and to identify areas where additional discussion and development can help achieve regional policy goals.

**I. The policy package presented during the January 24<sup>th</sup> and January 25<sup>th</sup> workshops were a good foundation for core contractual issues.**

Snohomish staff appreciates the level of policy discussion provided in the context of the January workshops; grounding the discussion on the foundational policy elements helped to understand Bonneville's thinking on intention and design. It is evident in the presentation that Staff strived to balance the interests of different types of customers within the bounds of tiered rates and Regional Dialogue (RD) policy objectives — an area where BPA is in lockstep with public power since the beginning of Provider of Choice discussions.

Specific elements in the package that Snohomish supports include:

- The bottom-up approach to the calculation of the Tier 1 System Size that utilizes the sum of the Contract High Water Marks (CHWM) net of all policy-based adjustments;
- Staff's good faith approach to provide foundational policy elements underpinning the next contract, with a set of building blocks that are grounded in policy and foster continued dialogue;
- Openness to considering a Fiscal Year 2023 load reference year;
- A CHWM calculation that recognizes the need to incorporate some portion of load growth, recognizes the important role conservation has played throughout the current contract and will play in the next contract, and insulates flat utilities from allocation adjustments for load growth and conservation that could otherwise reduce their allocations;

- A fixed system size, providing utilities with an increased level of planning certainty;
- Focusing system size discussions on the current system size of roughly 7,000 aMW, while remaining open to reasonable augmentation if supported by policy goals.

The totality of this approach appears balanced from an annual aMW allocation perspective for the three utility groups identified in the Northwest Requirements Utility customer workshop: (1) utilities with load growth, (2) flat or declining utilities, and (3) utilities that have mitigated load growth through the acquisition of conservation. This approach also appears to mitigate the risk of flat utilities experiencing a reduction in their allocation, which was an important concept introduced by the Western Public Agencies Group in their “No Worse Off” methodology. Last, Snohomish continues to view cost shifts in a new contract across utility groups (load growing, flat, and load growth mitigated via conservation) as an important metric in how equitable the resulting allocation methodology may be considered to be. A system size of on or around 7,000aMW seems to be a reasonable starting point to avoid cost shifts across customer types, provided an equitable allocation methodology. That said, Snohomish would support system augmentation, up to the Columbia Generating Station Extended Power Uprate (EPU) volume, provided that such augmentation is shared pro rata across customers, commensurate with the historic distribution of CGS costs.

## **II. Public Power Council developed a robust process to consider BPA System Size and Allocation issues; Snohomish supports PPC’s approach.**

The Public Power Council (PPC) engaged its membership in pursuit of a BPA proposal broadly acceptable to public power, and Snohomish has participated fully in those proceedings. Public power involvement within these PPC-led engagements has been collaborative, consensus was sought wherever possible, and differences clearly identified where they exist. Snohomish PUD supports the broad conclusions reached by PPC’s Executive Small Group on system size and allocation, which we expect to be communicated by the close of the week. Within that framework, areas of exploration remain, which we provide comment on here:

- PPC communicates a range of preferred system size between 7,000aMW and 7,500aMW, where augmentation beyond 7,000aMW is shared pro rata across utilities.
  - Snohomish supports a fixed system size of 7,150-7,250aMW provided that it is accomplished largely by the CGS EPU and the augmentation is shared pro rata across BPA customers as a Tier 1 resource. This system size will allow an appropriate level of load growth to be included in the CHWM calculation, as well as provide room to better recognize the value of load reductions through conservation measures.
- PPC communicates a general support for BPA’s conservation approach, but also communicates that there may be some more discussion needed on the definition of conservation credits.
  - Snohomish supports the general policy objective of recognizing that a significant portion of the existing headroom is due to load reductions through conservation. Snohomish recognizes that these load reductions have helped create the ability to incorporate a portion of load growth into the CHWM calculations, and supports that effort. However, Snohomish believes the amount of conservation credit proposed for the CHWM calculations should be modified to more accurately capture the volume of self-funded conservation credit that is measured and accounted for. The proposed conservation credit

measure does not accurately reflect all of the self-funded conservation achieved by BPA customers, and this results in an inequitable distribution of conservation credits across customers. These considerations are further enumerated in the section below.

### **III. Further Discussion**

A lot of progress has been achieved but work remains. The following issues warrant further discussion.

#### **A. Conservation Credits**

Consistent with previous Snohomish comments, Snohomish observes that additional work is needed to align the proposed conservation credit with regional policy goals and an equitable measurement of the regional conservation achieved. Simply put, the proposed conservation credit, which only considers conservation that has been directly reported to BPA, does not comport with the self-funded conservation achievements of the largest conservation achieving utilities, or with the credit BPA has counted towards regional conservation targets through the Northwest Power and Conservation Council's Regional Conservation Program.

Snohomish offers the following for consideration:

- i. BPA's proposed conservation credit basis of 50% of BPA Program self-funded conservation would provide Snohomish credit for roughly 5.4aMW of the 107aMW of audited conservation it has achieved from 2012-2021. This total represents less than 5% of the achievements across this time frame, and is the causality of the headroom intentionally created by Snohomish PUD to accommodate future load growth, including electrification load growth (whose accommodation is both a regional and national policy goal);
- ii. The current proposal of a 50% BPA reported self-funded conservation credit is out of alignment with the nature of that reporting, which, from a utility perspective, has been for reimbursement purposes;
- iii. The Northwest Power and Conservation Council ("The Council") is the venue for regional conservation reporting, and BPA receives credit for all Snohomish conservation as if it were achieved by BPA, regardless of programmatic nature ("reportable" or "non-reportable") and that credit constitutes the region's accounting mechanism for conservation target achievement;
- iv. BPA is not currently on track to hit its Council conservation targets and likely would not have met them in the past if not for the credit it received for past Snohomish (and other utility) Council reported, but BPA program non-reportable, self-funded conservation programs;
- v. A consistent failure to meet Council conservation targets would (or will) have likely resulted in the need for BPA to increase BPA conservation program funding, and program funded conservation;
- vi. The Council is a third party that establishes the regional savings goal and counts the regional utility conservation achievements, regardless of which state they reside in;
- vii. The Council's conservation achievement data is available on the Council website, now, without any additional effort by BPA;
- viii. The 2007 Long-Term Regional Dialogue Record of Decision explicitly recognizes "the importance of achieving all cost-effective conservation" and that the tiered rate and high

water mark constructs “will greatly enhance each utility’s economic incentive to conserve;”<sup>1</sup> and

- ix. The Northwest Power Act explicitly recognizes that all conservation is valuable, including “the attainment of ... conservation objectives adopted by individual States.”<sup>2</sup>

As a result, Snohomish proposes that:

- i. Self-funded conservation credit be redefined to include consideration of “2012-2023 Total Utility Conservation Achievements” as defined by the Northwest Power and Conservation Council’s Regional Conservation Program Workbook, which can yield an alternative self-funded metrics when “2012-2023 BPA Program funded Conservation achievements” is subtracted from that total. All relevant data for all BPA customers is already available on the Council website.
- ii. Further conversation be allotted to consideration of increasing the percentage of conservation that is funded by BPA, and reducing the percentage of BPA conservation that is self-funded, during the next contract for the following reasons:
  - a. BPA is not on track to meet its regional conservation targets and would likely not have met them in the past if not for the “non-reportable” conservation achievements of its customers.
  - b. If BPA disincentives “non-reportable” conservation through a practice of excluding conservation which has aided in its pursuit of regional conservation goals, it should be expected that less will be achieved by BPA customers through that pathway.
  - c. Increasing the percentage of BPA-funded conservation may be needed to make up for current shortfalls in forecast BPA conservation achievement relative to the target, and more still will be needed if BPA’s customers are discouraged or disincentivized for contributing their conservation on BPA’s behalf towards regional targets.
  - d. Snohomish would be interested in discussing BPA conservation funding up to 100%, if existing conservation incentives are significantly diminished through a limited recognition of self-funded conservation.
- iii. Further consideration be given to utility-funded NEEA savings which have not been recognized in the conservation discussion in depth, and which constitute a significant share of the region’s measured conservation achievements.
  - a. Alternatively, or additionally, further conversation may be warranted on how NEEA fits into the Post-2028 contract.

## **B. Contracted For, Committed to Loads**

Recent conversation around CHWM has focused on a larger picture, and not on the details of Contracted For, Committed To (CFCT) loads. One reason Snohomish has been keen to manage headroom is to prepare for expected economic development by existing local economic drivers. That economic development is expected in aerospace and military industries important for the region, is expected beyond the proposed fiscal year 2023 load determination, but within the framework of the Regional Dialogue contract and within the managed headroom Snohomish has created through conservation. In regard to CFCT loads within the Region, Snohomish would like to understand and discuss how BPA plans to address the CFCT loads in its determination of CHWM levels. The statutory and policy

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<sup>1</sup> Long-Term Regional Dialogue Record of Decision (July 2007), at 188.

<sup>2</sup> Northwest Power Act, § 6(a)(1)(B).

treatment of CFCT loads suggest a point-in-time determination of a CHWM, with no consideration of the future, may be inappropriate.

Snohomish looks forward to further collaboration with BPA.

Sincerely,

Garrison Marr

cc:

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