



February 17, 2023

*Submitted via webportal*

Kim Thompson  
Bonneville Power Administration  
Portland, OR 97232

Dear Kim:

Thank you for this opportunity to submit comments in support of BPA continuing to provide equitable and consistent treatment to its transfer customers for non-federal power deliveries during the post-2028 contract period. Northwest Requirements Utilities ("NRU") and PNGC Power ("PNGC") submit the following in response to Bonneville Power Administration's ("BPA") February 9 Transfer Service Update provided as part of the Provider of Choice Workshop series. NRU represents the interests of its 57 member utilities located in 7 states throughout the region, all of which are BPA Load Following and Network Transmission customers, and that together represent roughly 30% of BPA's total preference load. PNGC represents the interests of its 16 member utilities located in 7 states and 8 balancing authorities across the region.

NRU has 37 members utilizing Transfer Service provided by BPA, including three members located in southeastern Idaho that are identified as Southeast Idaho Load Service (SILS) customers. Similarly, PNGC has 11 members utilizing Transfer Service provided by BPA. As a result, both NRU and PNGC have a keen interest in ensuring that transfer customers receive equitable and consistent treatment for serving their load with federal and non-federal power.

As with all of BPA's preference customers, NRU and PNGC members benefit from the cost savings of BPA's Transfer Service program. NRU and PNGC support BPA's proposal to continue to provide Transfer Service for federal power deliveries, and to continue to apply the concept of comparability as related to cost issues.

However, throughout the Provider of Choice process, NRU, PNGC, and their members have been consistent in our call for BPA to continue the current treatment of Transfer Service under Regional Dialogue policies, including the treatment of Transfer Service for above-high water mark ("AHWM") service for both federal and non-federal resources. And while the following comments respond

specifically to the issues raised during the February 9 Workshop, you will find that they are entirely consistent with this call to action.

### **Quality of Service Standard**

The quality of transmission service received by customers is essential to ensuring reliable load service, regardless of whether that customer is directly connected to the BPA system or served by Transfer Service via third-party transmission. NRU and PNGC appreciate BPA's commitment to continue to act on behalf of transfer customers to ensure that the quality of transmission service received is consistent with the established contracts and tariffs, and BPA's stated goal that similarly situated customers be treated consistently. Though we maintain some concern with BPA's decision to no longer guarantee "comparable" treatment, we recognize the impossibility of guaranteeing identical treatment from distinct third-party transmission providers. NRU and PNGC continue to appreciate the high level of engagement our members have received from BPA's Transfer Service staff, and we look forward to continuing to work with BPA to improve the reliability of Transfer Service that our members receive.

At the same time, NRU and PNGC would like to see BPA take a more proactive role in working with third-party transmission providers during the process of planning local transmission facilities, and in addressing transfer customer concerns regarding the reliability of existing third-party transmission service. That this need exists today only serves to highlight its importance as a topic of discussion during the Provider of Choice process. Anecdotally, during the February 9 PoC Workshop, in response to a BPA staff comment that they would characterize "comparability" as an "aspirational goal", one NRU member noted the following:

"To provide some data regarding the quality of transfer service, Tillamook PUD is served by three BPA transmission lines and on one PacifiCorp line. If you are a Tillamook PUD customer you will have 3 to 4 times less reliability if you are served by the PacifiCorp line. We are all working together to find a solution, but this is a 30-year problem so I'm hoping the BPA goals are more than aspirational."

Additionally, as NRU noted in response to BPA's B2H with Transfer Service plan, we remain interested in engaging with BPA on developing clear plans for improving the ability of transfer customers to accommodate the load growth they are currently experiencing and that is forecast to continue into the next set of contracts. BPA's current proposal for direct assignment of all non-federal transfer costs highlights the need for clarity in this area, as it all but requires that preference customers served by Transfer exclusively utilize a BPA Tier 2 product for their AHWL load requirements.

Finally, as noted previously, both NRU and PNGC support BPA's proposal to continue to apply the concept of comparability as it relates to cost issues. However, with respect to quality of service, it is our shared understanding that BPA has an obligation to acquire third-party transmission service for preference customers not directly connected to the BPA transmission system. Irrespective of cost allocation, those transfer customers depend on BPA's commitment to maintaining high-quality transmission service for serving their firm requirements loads. Further, those same customers look to

BPA to proactively engage in any actions necessary to improve that transmission service if needed and where feasible. As a result, regardless of whether the word “comparable” is used to characterize these responsibilities and expectations, we believe that BPA’s obligation to transfer customers is unchanged.

### **Payment for Non-Federal Transfer Service**

NRU and PNGC were disappointed to see that BPA continues to propose a return to the pre-Regional Dialogue policy of not rolling the cost of Transfer Service for non-federal power into the PF rate. We continue to believe that the Provider of Choice Goals and Principles that BPA established in May, 2022 are in direct contradiction with BPA’s proposed stance on Transfer Service. This is especially true of the third and fifth goals, which read respectively as “Product and service offerings are equitable”, and “Contracts offer customers flexibility to invest in and integrate non-federal resources.” In both cases, maintaining the current treatment of Transfer Service for non-federal resources would be far more consistent with the established goals than that which BPA is currently proposing. Conversely, today’s treatment, including the maximum caps per fiscal year for financial support for Transfer Service of non-federal resources that are in place today, are consistent with these Goals and Principles, and both NRU and PNGC urge BPA to modify its proposed approach accordingly.

For over 20 years, BPA has recognized the value that supporting non-federal resource integration for transfer customers provided to those transfer customers, and to the region. Going back to the 2002 Final Power Rates ROD, BPA recognized the value and importance of the issue in its decision to obtain Transfer Service for non-federal power and roll the cost into the Network Transmission rate. At the time, BPA’s reasoning for its commitment to obtain Transfer Service for non-federal power was based on the policy goal of putting Transfer Service customers and directly connected customers on equal footing and to promote competition in bulk power markets. This goal is consistent with the Regional Dialogue policy to encourage the development of regional generation infrastructure. Given BPA’s participation in the Western Resource Adequacy Program (“WRAP”), and ongoing regional concerns with “baseload” resource retirement and decommissioning, this is a goal we believe that BPA should maintain in the next set of contracts.

Moreover, both NRU and PNGC strongly disagree with BPA’s assertion that continuing to roll in transfer costs for nonfederal AHWM load service would “blunt Tiered Rate effectiveness in a future Provider of Choice policy.” Instead, we would offer BPA’s own justification in support of the existing policy, highlighting one of the stated principles BPA relied on in deciding to offer Transfer Service for non-federal power deliveries; specifically, the intent to “not use transfer service as leverage to induce customers to buy Tier 2 power from BPA...” Instead, BPA’s proposed approach would severely limit customer choice with respect to AHWM load service, while at the same time frustrating BPA’s principle of helping to facilitate regional resource development. Finally, in support of our position opposing BPA’s proposed approach, we offer BPA’s own justification from the following excerpt from the 2008 Long-Term Regional Dialogue Administrator’s Record of Decision:

“BPA intends that a customer’s decision to purchase from a non-Federal resource or from BPA for service at the Tier 2 rate should be as economically neutral as possible. Transfer service should only be one factor in a customer’s resource acquisition decision. Without some level of commitment from BPA, the lack of any transfer service assistance from BPA will often be the deciding factor for most customers.”

Long-Term Regional Dialogue Administrator’s Record of Decision, July 2007, at 224 to 225.

Further support for BPA’s current policy regarding Transfer Service for non-federal power is found in section 5(b)(1) of the Northwest Power Act, including the limitations on BPA’s obligation to sell power to public bodies and cooperatives contained in section 5(b)(1)(B). By providing Transfer Service support for non-federal resources that are committed to serve a customer’s load, BPA ensures that these resources are delivered to the customer’s load, thereby reducing BPA’s obligation to provide Federal power to serve that portion of the customer’s load. This reduced obligation lessens the burden on BPA’s existing Tier 1 resources, to the benefit of all preference customers. Importantly, without this Transfer Service support, non-federal resource integration will almost certainly not remain an economically viable alternative for transfer customers, which in turn would result in an increased burden on BPA.

Recently, PPC submitted comments consistent with NRU’s position, concluding that:

“PPC Supports exploring comparable treatment of transfer service for AHW service for both federal and non-federal resources. Including only federal Tier 2 service would have the potential to simply preclude non-federal resource development for many utilities without limiting costs.”

In conclusion, NRU and PNGC agree with WPAG’s February 17 comments with respect to Transfer Service, as well as PPC’s established position on Transfer Service. Further, we agree with BPA’s assertion that, without some level of commitment and support, the lack of any Transfer Service assistance from BPA would likely be the deciding factor preventing non-federal resource acquisition for most customers.

NRU and PNGC welcome continued, constructive discussion concerning the design of Transfer Service post-2028. However, we strongly believe that BPA’s proposed approach is not in the best interest of transfer customers, BPA and its preference customers, or the region as a whole. In conclusion, for the many reasons outlined above, NRU and PNGC strongly encourage BPA to reconsider its proposed policy position to directly assign the cost of Transfer Service for non-federal power.

We continue to appreciate the public process and open dialogue championed by BPA throughout the Provider of Choice process. Thank you once again for the opportunity to comment.

Sincerely,

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