

March 3, 2023

Submitted via email to post2028@bpa.gov

Northwest Requirements Utilities (“NRU”) submits these comments to address several issues that were raised at recent Provider of Choice Workshops held by Bonneville Power Administration (BPA). NRU represents the interests of 57 Load-Following customers that hold Network Transmission contracts with BPA. NRU members are located in 7 states across the region and represent roughly 30% of BPA’s Tier 1 load. Of primary importance to NRU members is BPA’s continued ability to offer affordable and reliable power supply and transmission services, and durable contract options that maximize the value of the federal system for the benefit of preference customers.

Encouraging Nonfederal Resource Development

At its January 19 workshop, BPA proposed to increase the threshold for listing a resource in a utility’s power contract from 200 kW up to 1 MW. NRU’s Board of Directors established post-2028 principles and policy positions that reflect an interest in policy modifications to enable utilities to “use non-federal resources easily and cost-effectively” and “streamline integration and use of non-federal resources.” BPA’s proposed modification to increase the 200-kW threshold for listing in a utility’s contract aligns with NRU’s goals to provide more flexibility and avenues for non-federal resource development, as does the proposal to allow a utility to offset its Tier 1 take-or-pay obligation with a non-federal resource up to 5 aMW or 50% of the utility’s Contract High Water Mark (CHWM). We appreciate BPA’s proposals and support including them in the post-2028 contracts.

Related to BPA’s proposal to allow a utility to offset its Tier 1 take-or-pay obligation with a non-federal resource up to 5 aMW or 50% of the utility’s CHWM, NRU recommends BPA to consider two modifications, as follows:

First, to recognize that the resources that will most likely be utilized are variable in nature and have a low capacity factor, BPA should utilize an amount that represents the expected generation and output of the resource with a cap of 5 MW; and

Second, to recognize that a utility may find opportunities for investments in resources that are not located in their service territory for resources that may be better performing or better suited to meet

the utility's needs, BPA should remove the requirement that the resource should be sited in the customer's service territory.

We also recommend that BPA adopt other policies to encourage and support the development of non-federal resources by preference customers, as outlined below:

First, continuing to roll the costs of Transfer Service for non-federal resources into the Tier 1 cost pool is a minimum policy requirement to ensure equitable opportunity for Transfer customers to use federal or non-federal power to meet Above High Water Mark (AHWM) Load, as proposed in NRU's joint comments with PNGC and Idaho Falls Power submitted on February 24.

Second, under a federal system that is fully subscribed as may be under the Provider of Choice contracts, BPA should adopt policies to recognize the value of customers taking their net requirements *off* the federal system. NRU recommends that BPA establish the intent in its policy Record of Decision that the federal system will be leveraged to encourage and support the development of non-federal resources, while also maintaining separate cost pools. We believe establishing this intent would be helpful in subsequent design and rates processes. Relatedly and as submitted in previous comments, offering billing credits for non-federal resource generation is one such policy that could relieve BPA of some of its load obligations and provide a benefit for the region by expanding and diversifying the generation supply in a cost-effective manner.

Third, another opportunity to encourage non-federal resource development is through BPA's policy approach to charges for integrating non-federal resources (i.e., Resource Support Services or RSS). RSS as structured under the Regional Dialogue contracts proved a cost-prohibitive barrier to non-federal resource development. This is particularly true for intermittent renewable resources. NRU looks forward to BPA and customers having the opportunity to explore ways to redesign RSS to reflect the value BPA's market participation may have in bringing down the costs of RSS, or establishing an updated view of capacity contributions of non-federal generation that are grouped together or co-located with energy storage.

Last, as submitted in NRU comments dated August 25, 2022 and February 8, 2023 and as recommended by a number of other stakeholders, NRU proposes that BPA provide an adjustment to CHWM to reflect investments in non-federal specified generating resources during Regional Dialogue (i.e., "new resources"). Under Regional Dialogue contracts, BPA maintained the goal of encouraging the development of non-federal resources. Some utilities responded to this goal by investing in specified non-federal generating resources. Under the post-2028 contracts, the output of these resources will reduce the utility's access to power at Tier 1 rates. Thus, without an adjustment to CHWM, the "reward" for a utility making these investments is a penalty to their Tier 1 access under the post-2028 contracts.

NRU understands that under Regional Dialogue there was flexibility afforded for renewable resource investments made during Subscription contracts, excluding these resources from CHWM calculations in Regional Dialogue. NRU recommends following that precedent and providing an adjustment to CHWMs for new specified resource investments made during Regional Dialogue, to reward – rather than penalize - preference customers for aligning with Regional Dialogue policy to encourage the development of non-federal resources.

A Path to a 100% Clean Power Product

In its January 19 Provider of Choice workshop, BPA expressed concerns related to a customer proposal to establish contracts allowing utilities the ability to claim a 100% clean federal power product through the reassignment of rights to environmentally preferred power and attributes. While NRU believes the proposal has merits, namely that it would provide a product that aligns with Washington state regulatory requirements for a 100% clean product, NRU is keenly interested in continuing the conversation, and working collaboratively to identify whether there are elements of the proposal that are worth retaining to provide a path to 100% clean, or whether there are other ideas that have merit. As suggested in recent comments from Snohomish PUD, NRU encourages BPA to establish a workgroup enabling BPA and its customers to keep this discussion alive. The issue is impactful for so many preference customers and deserves our continued attention. NRU firmly believes that BPA should not ask customers to accept this level of regulatory uncertainty when viable and easily implemented alternatives exist, and that we should continue to work together to achieve resolution for the post-2028 contracts.

Contract Term

Also in the January 19 workshop, BPA questioned whether it would be appropriate to align the termination of the post-2028 contracts with the 100% Clean Electricity Standard in Washington. While NRU hopes that alignment of the contract termination date with the Washington Standard would not delay a path to 100% clean, NRU recognizes there is some merit to considering alignment of the termination of the contract with the Columbia Generation Station license expiration in 2043 or the Washington Standard in 2045.

Considering the Compatibility of Products and Organized Markets

NRU appreciates BPA's consideration of how its power products and processes would align with new and future organized market constructs. NRU agrees with comments submitted by the Western Public Agencies Group (WPAG) February 17 providing two main recommendations, namely (1) that BPA consider interactions/compatibility with current and future Western market initiatives, specifically the Western Resource Adequacy Program (WRAP) and a future Regional Transmission Organization, and (2) consider not only the aspects related to power products, but also contract terms around flexibility, offramps, transfer service, and etcetera.

NRU recognizes there are known and unknown factors and appreciates that BPA will be working on identifying, to the best of its ability, potential product incompatibility with customers. Included in this analysis, NRU is interested in whether the current approach to the treatment of AHWM Load served by

unspecified market purchases will carry forward to the post-2028 contracts, how the current 5(b)9(c) policy will be adjusted to account for these market considerations, or whether BPA will establish a different policy and implementation approach. And, like WPAG, NRU questions whether the current identified workshops will be sufficient for exploring this complex subject and looks forward to understanding BPA's proposal for adequately addressing these issues within the context of the Provider of Choice policy process.

Products

In recent workshops, BPA also reviewed its proposed Load Following and Planned product offerings in the post-2028 contracts. NRU continues to support retaining the Load Following product generally as provided in the Regional Dialogue contracts. As discussed in the workshop, NRU would appreciate additional information regarding any new product or charge that could be applied to Load Following customers due to implementation of a Peak Net Requirement, which will likely impact both Load Following customers' and BPA's approach to WRAP under post-2028 contracts. NRU will be submitting more detailed comments to explore these issues next week.

Additionally, NRU supports BPA's approach to the planned products, which is consistent with the intent that the federal power product is designed to meet those utilities' annual net requirements on a planned basis, leaving those customers with the contractual obligation to meet their Total Retail Load and actual hourly needs.

More generally, it is important that BPA maintain equity between the product types, such that any one preference customer's product choice does not have undue power supply or cost implications for other customers. The financial risks and power supply costs for one preference customer must not unreasonably rest on the product choice – or decision to switch products – of any other preference customer. BPA has followed this principle in making recent decisions on whether to allow certain preference customers to switch products during the Regional Dialogue contracts and should continue to follow this principle under the Provider of Choice contracts.

Above High Water Mark Load Service Options

At a recent workshop, BPA outlined its newly updated approaches to AHWM Load service. NRU appreciates that BPA responded to NRU and other stakeholders' interest in seeing expanded Tier 2 product options in the post-2028 contracts by moving away from its initial proposal to provide only one Tier 2 product. Instead, BPA proposed providing a suite of AHWM Load options as well as rounding AHWM Load down to whole aMW. The flexibility offered to customers through the various proposed products is a solid step in the right direction, providing customers with flexible alternatives to meet their load needs while simultaneously insulating BPA's other power customers from AHWM customers' resource decisions.

NRU notes, however, that it will be difficult for customers to make a decision to participate in the Long-Term Tier 2 rate pool in 2025 without having a good sense of the pricing and resource options associated

with that decision. NRU hopes to explore ways to provide additional certainty to customers prior to the deadline to sign contracts and make that rate election with BPA. Specific areas that NRU members have brought up in discussion include the following:

- Resource approach and the carbon content associated with the resources;
- Whether the products will have a take-or-pay requirement associated with them, similar to the RD Tier 2 product;
- Whether remarketing services will be included if forecasted load does not come online;
- A projected price-range and factors that may impact the resource cost anticipated for the Long-Term Tier 2 product; and
- Other elements associated with the implementation of Tier 2 products to provide as complete a picture as possible to interested utilities.

There are a number of areas where NRU recommends further changes in its policy approach to AHWM Service, as outlined below:

First, BPA proposed to price existing firm inventory from the Federal Base System used to meet customer needs that elected BPA's Long-Term Tier 2 Rate at a Tier 1 rate equivalent. This proposal is partially aligned with NRU's Board of Directors request outlined in our February 8 comments recommending that surplus firm federal power should be used to serve AHWM Load met with federal products at a Tier 1 rate equivalent. However, it is unclear why BPA would not also make firm surplus available to meet the needs of the Short-Term rate pool as part of the Flexible path. As Tier 1 loads grow, firm surplus existing inventory will likely only be available on a short-term basis and would be more aligned with a resource strategy for the short-term rate pool. The benefit of using surplus firm existing inventory for any federal product sold at a Tier 2 rate would be to help maximize the use of the federal system to meet the needs of preference customers and also help prevent rate shock for all communities and customers with AHWM load.

Second, BPA's proposal includes a one-way, one-time approach for customers to switch from Path 1 that includes the BPA Long-Term Tier 2 rate to Path 2 and a 100% flexible AHWM Path. While NRU recognizes BPA's needs to establish planning certainty, instead of only allowing the one-way adjustment, customers would appreciate BPA creating a two-way street, allowing the option to switch from the 100% flexible AHWM Path to the BPA Long-Term Tier 2 Rate Path. NRU could envision that should a customer switch from Path 1 to Path 2, there will be opportunities to back-fill that cost pool with other customers that may decide Path 1 would better meet their needs. Providing the options to make a switch from either Path 1 to Path 2 or vice versa could prevent BPA from having to utilize its stranded cost provision, ensuring improved certainty of cost recovery while also providing additional opt-in opportunities for utilities to secure additional Tier 2 rate services. It is our hope that we can work together to develop a process that both meets BPA's needs to establish planning certainty and to further expand flexibility for customers with AHWM needs.

Third, BPA proposed to eliminate remarketing services associated with its vintage product offering. For smaller utilities, taking on the responsibility for remarketing the output of a resource should it not be needed to serve load, may not be something that the utility has the staffing or expertise necessary to manage. Therefore, rather than creating an unnecessary operational barrier for smaller utilities interested in the Vintage Resource Tier 2 Rate option, NRU recommends that BPA retain this service.

Fourth, under the Path 1 route, NRU members have an interest in further exploring whether utilities may be able to identify an incrementally adjusted fixed amount in option 1b and 1c, in contrast to the static Fixed Amount outlined in the February 21/22 workshop materials. This would provide additional flexibility to utilities planning for load or resource additions. Additionally, NRU members have indicated a desire to retain flexibility around choosing the Vintage Resource Tier 2 Rate option, and wish to clarify that the Vintage rate can be coupled with the 1b option.

Last, NRU is also interested in BPA's plans to address physical resources added to meet Tier 2 rate pool needs, and how the agency will prevent seams issues between contracts.

Post-2028 Policy Package

Last, but not least, on February 8 we submitted the "NRU Proposal," outlining our proposed approach to Tier 1 system size, CHWM calculation, augmentation, AHWM Load service, and other priorities. We are heartened by the broad support that the NRU Proposal has received, and the elements of the Proposal that BPA has already incorporated into its policy approach. We look forward to further consideration and discussion of these concepts at the March workshops.

Thank you for considering these comments. We appreciate the open and transparent process provided by BPA. We are available for any follow-up conversations or to answer any questions that may arise from the ideas outlined above.

Thank you,

/s/ Tashiana Wangler

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