AWEC

Alliance of Western Energy Consumers ◆ 818 SW 3rd Avenue, #266 ◆ Portland, OR 97204 ◆ 971-544-7169 ◆ awec.solutions

April 18, 2023

Via Electronic Submission

Re: Provider of Choice Concepts

The Alliance of Western Energy Consumers ("AWEC") appreciates the opportunity to provide summary comments on Bonneville Power Administration's ("BPA" or "Agency") current leanings on several Provider of Choice issues. AWEC's primary goal in Provider of Choice is ensuring that BPA's customers continue to receive reliable power and transmission service at affordable rates. Preserving the value of the Tier 1 system and ensuring costs are borne by those benefiting are the best ways to achieve this goal. AWEC's members include industrial consumers located across the region and interconnected with BPA utility customers of all types and sizes. BPA's efforts to reach a balanced Provider of Choice draft policy are greatly appreciated.

AWEC continues to believe that BPA's tiered rates approach is critical to protecting the value of the system for all preference customers. All of BPA's customers and their end users benefit from access to a Tier 1 product made available at the lowest possible cost, supplemented by multiple options for meeting additional needs that include reasonably priced Tier 2 products. While AWEC understands that some BPA customers advocate for significant augmentation that may result in "tiered" rates that closely resemble a melded model, AWEC supports BPA's proposal to accept some reasonable adjustments without abandoning the principles of tiered rates and introducing significant subsidization of some customer types by others. Below, we comment more specifically on certain issues that are currently under discussion, including Contract High Water Mark ("CHWM") development, carbon issues, and others.

<u>Contract High Water Marks and Initial System Size</u>

AWEC continues to support BPA's proposal for calculating CHWMs and for setting the initial system size on the sum of these high water marks, without additional augmentation. While BPA's current proposals for headroom, conservation, load growth and returning load may not reflect all the positions that AWEC would independently take, we appreciate that throughout this process, BPA has worked hard to balance the competing preferences of many customers, while holding to tiered rates as the preferred, guiding principle. AWEC believes that BPA's most recent "leanings" appropriately stay the course when considered as a whole. Notably, AWEC understands that some stakeholders are continuing to push BPA to adopt a fixed system size far above the sum of the CHWMs. AWEC appreciates that BPA has updated its rates tool to provide some clarity around the likely impacts of such an approach. While AWEC understands the various policy concerns that may drive parties to request very high levels of augmentation – as high even as setting a system size of 7,500 aMW - BPA's updated analysis illuminates the high level of rate subsidy across utilities that this would

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create.[1] As noted above, BPA's initial leaning to set the size of the system at the sum of individually calculated CHWMs remains the optimal approach.

In order to address the differing demands of stakeholder groups, if necessary, AWEC recommends a system size incorporating the lowest possible level of augmentation that is required to obtain a critical level of consensus for BPA. To the extent that augmentation is required, like WPAG, AWEC supports sharing the benefits of augmentation on a pro rata basis to ensure that the costs of augmentation are borne commensurate with its benefits.

1. Conservation

AWEC believes that customer-driven conservation is nearly always the preferred additional resource. With the assistance and support of their partner utilities, AWEC members have achieved significant conservation that has provided local benefits, as well as benefits across the region. It is critical that those customers that have been conservation leaders not be punished for their efforts. As a result, AWEC supports BPA's move toward a meaningful conservation adjustment to CHWMs.

2. 2023 Index Year & Economic Adjustment

BPA proposes to calculate CHWMs based on an Index Year of 2023. AWEC supports a 2023 Index Year, subject to BPA also adopting an Economic Adjustment to address the fact that some specific loads in FY 2023 are lower than they have been historically and are anticipated to be in the future. We believe that load-specific economic adjustments are warranted and AWEC appreciates BPA's consideration of the specific proposals that have been put forth thus far.

The most comprehensive structure for an economic adjustment that has been presented to date was submitted by Cowlitz PUD on March 17, 2023. This proposal reflects careful attention to balancing the need for a meaningful economic adjustment in the case of large individual loads with the concern that, without thoughtful guardrails, an ill-defined economic adjustment could grow into something more like a general economic adjustment – an outcome that, like additional headroom, excessive load growth adjustments, or general augmentation, would not tend to protect the value of the BPA system for all customers.

Over the past weeks, AWEC has contacted its members – including many CF/CT loads – in an effort to understand the impact and importance of an economic adjustment. The information we have received indicates that the Cowlitz Economic Adjustment proposal represents an appropriate framework that should be incorporated by BPA into the CHWM calculations, with a minor adjustment.

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[1] BPA's Provider of Choice Concept March 2023 Rats Analysis Explainer.

The structure of the Cowlitz proposal thoughtfully includes a Standard Adjustment based on the retail consumer's average metered load lost to economic conditions as well as a Small Customer Adjustment that would be based on the ratio of the individual load reduction to the load of the host utility. This is a creative solution that ensures both large and small customers have an opportunity to benefit from the adjustment. However, AWEC has identified at least one member that would meet each of the eligibility criteria that have been discussed for eligibility for the economic adjustment, but would narrowly miss the Standard Adjustment, and is not eligible for the Small Customer Adjustment. It would not be good policy to arbitrarily deny this customer and its host utility the economic adjustment based on narrowly falling in the space between the two proposed triggers in the Cowlitz proposal. In this individual case, it appears that setting the threshold for the Standard Adjustment at 2 aMW would appropriately credit this utility with the historical and expected future load of its retail customer. Under the same rationale, for the Small Customer Adjustment, AWEC recommends that BPA use the lower thresholds – 10% – identified by Cowlitz in footnotes 2 and 3.

In addition to the Cowlitz proposal, both Snohomish PUD and NRU have noted that it may be appropriate revisit CFCT loads specifically.[2] The Cowlitz proposal is, appropriately, designed to capture specific but temporary load loss in the current economic climate, and is not limited to CFCT loads, but it also does not recognize "impacts for single large CFCT loads lost during regional dialogue that return by 2033."[3] Although unrelated to specific economic circumstances in FY 2023, Snohomish also previously indicated a desire to "understand and discuss how BPA plans to address the CFCT loads in its determination of CHWM levels."[4]

AWEC believes that further exploration of providing a CHWM adjustment to account for CFCT load merits further consideration. It appears that significant headroom that would be sacrificed by some utilities for redistribution under the reset CHWMs may be related to the loss of CFCT load. As WPAG notes, the redistribution of this headroom results in the loss of an opportunity to incentivize "renewed or new economic activity with low-cost Tier-1 power." [5] AWEC would appreciate more clarity around the treatment of any potential return of CFCT load and the CHWM of the host utility. While we do not believe that such an increase should be used to increase the system size generally, it might be an appropriate adjustment for the affected customer.

Carbon-Free Product

AWEC appreciates BPA's continued commitment to evaluate options for customers to achieve 100 percent carbon-free products, but urges BPA to go further and faster than has been indicated thus far. AWEC appreciates and sees the value in BPA's proposal to

[2] See Snohomish PUD comments submitted on February 8, 2023; NRU customer presentation given on March 22, 2023 at slide 7.
[3] NRU customer presentation given on March 22, 2023 at slide 7.
[4] Snohomish PUD comments submitted on February 8, 2023.
[5] Western Public Agencies Group comments submitted on March 31, 2023 at page 2.

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address carbon issues as part of its Strategic Plan Update. However, while Washington State's Clean Energy Transformation Act ("CETA") requirement that electricity be 100 percent emissions free does not take place until 2045, it is highly probable that other state policies will be enacted during the term of Provider of Choice contracts that will require more tailored product offerings. State legislatures, at least on BPA's west side, have consistently considered carbon legislation in recent legislative sessions, and we expect this trend to continue. End users also have carbon-related corporate goals and mandates, and rely on their providing utilities to help meet these goals. AWEC understands and appreciates that the Tier 1 portfolio has an extremely low carbon content; however, product options that would allow individual customers with carbon mandates to meet those requirements are necessary to address an ever-changing energy landscape.

First and foremost, we encourage BPA to reconsider its position on the customer-proposed reallocation of Renewable Energy Credits (RECs) concept. We understand BPA's hesitation to be, in part, that it could not guarantee that the reallocated RECs would meet Washington's CETA "single transaction" requirement. While this concern is understandable, BPA itself is not subject to CETA and, therefore, does not have this compliance risk. AWEC encourages BPA to allow customers the opportunity to take on the business risk that a product they select may not meet CETA's requirement rather than prematurely closing off potentially viable options in favor of products it believes it can guarantee would meet state requirements. There may be value in such a product to customers and their consumers.

Second, as we noted in our March 17th comments, we encourage BPA to expand its view of carbon-free product offerings to include products that would allow individual customer choice to elect carbon-free Tier 1 and Tier 2 products, at the customer's expense, as opposed to focusing on carbon emissions across BPA's entire footprint. We understand this is a difficult issue, but are eager to continue this conversation for our members that have corporate goals, state mandates, etc. In an effort to move this conversation forward, we offer examples of programs and pathways that other utilities and jurisdictions have engaged in. Notably, in each of these examples, the customers that participate in the programs are required to shoulder the financial and regulatory risk of participation.

Tennessee Valley Authority ("TVA") has a Green Invest program, in which TVA matches customer-identified renewable energy demands with renewable energy projects by leveraging a competitive procurement process and locking in participation over a long-term period (up to a 20-year agreement).

Portland General Electric ("PGE") offers a Voluntary Renewable Energy Tariff in Oregon, called its Grean Energy Affinity Rider ("GEAR"). Under this program, eligible PGE customers are able to either have PGE procure a resource (PGE supplied option) or to identify a resource to bring to PGE (customer supplied option). For the PGE supplied option, PGE purchases a subscription share of a renewable energy resource matched to the subscribing customer's preference with a maximum subscription of the customer's yearly consumption. For the customer supply option, the customer subscribes to the entire output of the resource.

Customers are required to stay on cost-of-service rate schedules, thus ensuring that their participation in the program does not result in stranded costs borne by other customers. In addition to the resource costs,[6] PGE also imposes administration fees to cover the costs of administering the program, integration, shaping, firming and other relevant program expenses. For customers electing the PGE supplied option, they may also be subject to a potential risk adjustment fee in the event that the subscribing customer seeks to subscribe to the GEAR program for a duration less than the contracted resource. Termination and default provisions also ensure that there are no cost shifts to non-participating customers in the event of a customer's untimely exit from the program.

Similarly, PacifiCorp may offer a VRET in Oregon, called the Accelerated Energy Tariff, wherein PacifiCorp acquires bundled renewable energy from a new renewable energy facility, or group of facilities, capped at the subscriber's yearly consumption.[7] Like PGE, PacifiCorp's program tariff provisions would ensure that there is no cost-shifting between participating and non-participating customers through the imposition of the same types of costs as are found in PGE's GEAR program above.

Puget Sound Energy ("PSE") offers a Green Direct product in Washington, which allows corporate and governmental customers the ability to purchase 100 percent of their energy from a renewable energy resource. Similar to the programs offered by PGE and PacifiCorp, PSE offers bundled renewable energy or bundled RECs to participating customers via a Service Agreement for a minimum term.

The Arizona Public Service Company ("APS") offers a Green Power Partners rate rider with a range of options for customers depending on the customer's desired duration of commitment. Customers may subscribe to a specific amount of green power from APS's resources or groups of resources that are part of its planned resources and in service after January 1, 2021, for a duration of either one year or twenty years, or can elect to purchase power from a new APS resource or group of resources that is not part of the Company's planned resources. Customers electing any of these options continue to pay costs associated with the Green Power Partners option selected in addition to the customer's full retail rate.

Finally, we offer that BPA could consider departing from its long-standing position that it does not color-code Megawatts, which would allow for an opportunity for data to help solve carbon-free product questions – even if each customer is only able to purchase a share of the entire system. In this vein, we note that TVA recently released a Request for Information for Carbon Services, in which it sought:

[6] Subscribing customers are credited with the Energy Value and Capacity Value of the resource that provides energy and capacity to all of PGE's customers through a crediting process that ensures there is no cost-shifting between participating and non-participating customers.

[7] Final approval of the program is contingent on a letter from the Securities and Exchange Commission that the design of the program does not involve the sale of securities.

> [I]nformation on greenhouse gas (GHG) emissions and carbon free energy (CFE) tracking, reporting, and planning software that can integrate into TVA's data ecosystem and provide a front-end user interface for electric utility consumers, specifically directly served customers, local power companies (LPC), and LPC customers, to engage with TVA data. Additionally, this system could be utilized by TVA as an integrated source of carbon data for our own internal emissions and CFE tracking, reporting, and planning.

AWEC supports BPA exploring options that would achieve similar results for its customers, assuming that products would be structured such that participating customers bear the full incremental cost of the products they elect to take.

<u>Non-Federal Resource Issues</u>

It has been noted a number of times throughout the process that only relatively small amounts of new, physical, non-federal resources have been added during the term of the Regional Dialogue Contract. However, AWEC is aware of significant appetite for additionality on the part of customer and end-use industries – particularly in light of decarbonization and the looming need for additional resources in the region.[8] AWEC believes that the draft policy and resulting products should be developed with an intention of encouraging customers and stakeholders throughout the region to participate in development of additional resources by recognizing the value that these may bring to the region and providing flexibility for their use. AWEC is aware that current limitations and product design (including Resource Support Services) have tended to dampen customer appetite for resources that otherwise may have been developed during the Regional Dialogue Contract term.

Another example of a policy that has reduced customer flexibility has been the rules around resource dedication. Currently, a dedicated resource can only be removed if the resource's use is permanently discontinued due to obsolescence, retirement, is lost or there is a loss of contractual rights, consistent with BPA's 5(b)/9(c) policy. Dedicated resources may be added in three circumstances: (1) to meet Above-RHWM load for the upcoming rate period or meet future ARHWM load (within 5 years), (2) a small renewable resource in the utility's service territory, or (3) a resource less than 200 kW nameplate capacity. AWEC appreciates BPA's move to increase the threshold from 200 kW to 1 MW, and to allow for the offset of Tier 1 Take or Pay up to 5 MW or 50% CHWM. However, AWEC encourages BPA to consider, as part of a policy that encourages customer resource deployment, one additional area of flexibility – the ability to temporarily remove resources that are still providing service to the utility once every five years of the Provider of Choice contract duration. AWEC understands that BPA must plan for its obligations, but believes that requirements around notice of removal and notice of adding back a dedicated resource could be structured to mitigate BPA's planning concerns while improving the ability of customers to optimize the value of resources.

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[8] See, e.g., Energy Northwest comments submitted on March 31, 2023.

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Peak Net Requirements

During the March 21 and March 22, 2023 workshops, AWEC was encouraged that BPA and customer groups were able devote significant time and attention to various parties' understanding of the likely effects of adopting a peak net requirements ("PNR") standard. During that workshop, it became clear that there is not a shared understanding between BPA and customer groups around the impact of adopting PNR has not yet been reached. AWEC supported the requests of several other customers and customer groups to separate the issue of PNR from the ongoing processes so that a shared understanding of the potential impacts upon both rates and products can be reached. We continue to believe that additional process on this issue is important, and encourage BPA to allow parties time for full consideration even if this means a resolution outside of the upcoming policy document.

Transfer Service

AWEC also appreciates BPA's movement on transfer service for a subset of non-federal resources. While AWEC is generally conscious of socializing individual customer resource choices across all customers, BPA's proposal strikes an appropriate balance during a period when non-federal resource development is likely to become of increased importance to meet load growth due in part to electrification, electric vehicles and population increases in the region, as well as meeting known and future state renewable and carbon free emissions policies. AWEC supports BPA's proposal to continue rolled-in treatment only for non-federal transfer associated with physical, local resources, while eliminating rolled-in treatment for other transfers. AWEC also understands that some stakeholders may want additional guardrails or caps, which AWEC would also consider in the interest of ensuring that costs associated with transfer service do not create substantial cost impacts to customers.

Other Issues

There are a number of other issues not addressed by these comments, but that remain important in Provider of Choice. AWEC looks forward to reviewing BPA's draft policy and submitting comprehensive comments at that time.

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