



# Provider of Choice Workshop: Policy Discussions

March 21 and 22, 2023

**PROVIDER OF CHOICE**

**POST  
2028**





# Today's Workshop

Michelle Lichtenfels, Program Manager, Provider of Choice

# Agenda

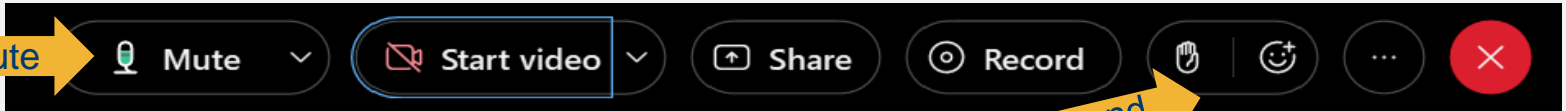
Date	Time Start	Time End	Topic	Presenter(s)
March 21	1 pm	1:05 pm	Welcome, Format, Workshop Expectations	Michelle Lichtenfels
	1:05 pm	2 pm	IRD and LDD Follow Up	Nancy Schimmels
	2 pm	2:15 pm	B R E A K	
	2:15 pm	3:55 pm	Reflections	Daniel Fisher, Kim Thompson
	3:55 pm	4 pm	Wrap up	Michelle Lichtenfels
March 22	9 am	10:30 am	Transmission Updates	Mark Tucker
	10:30 am	10:45 am	B R E A K	
	10:45 am	12 pm	Customer Presentations	Slice customer group and SCL; EWEB; NRU
	12 pm	1 pm	L U N C H	
	1 pm	2 pm	Billing Credits Follow Up	Sarah Burczak
	2 pm	2:15 pm	B R E A K	
	2:15 pm	3:50 pm	Policy Discussions (Cont'd)	All
	3:50 pm	4 pm	Wrap up	Michelle Lichtenfels

# Format

- Presenters will take pauses for questions.
- Questions will be addressed in the order received.
- Please state your name and organization.
- If a question/opportunity for feedback arises during a presentation, please:
  - Write it in the Webex chat or raise your Webex hand; when called on, mute/unmute yourself.

## Webex:

Mute/unmute



Raise hand

# Workshop Roles & Expectations

**Bonneville:** Provide open and inclusive opportunities for feedback.

**Participants:** Provide feedback and share perspectives.

**All:** Respect one another and assume good intentions.

Bring a constructive mentality.





# IRD/LDD

Nancy Schimmels, Eastern Customer Service Manager

# Irrigation Rate Discount

## Initial public workshop held Dec. 2022

- Customer feedback:
  - Broad support from public power to continue to offer an irrigation benefit under Provider of Choice.
- BPA intent:
  - Retain a comparable benefit similar to that under Regional Dialogue.



# Refresher: Irrigation Rate Discount

- **Set** irrigation amounts for the term of the contract.
- Discount is fixed, via the methodology included in the Tiered Rates Methodology, at **37.06%**.
- The IRD increases the average effective PF rate by about 1% or **\$0.35/MWh**.
- Current methodology is **dynamic**, increasing the discount when the cost of power used for irrigation increases and decreasing the discount when the cost of power used for irrigation decreases.



# IRD: Proposed Draft Policy Updates

## 1. Update irrigation amounts:

- Use a several year average of May-August irrigation (e.g. 2018-2022) in place of May-August 2002-2004 irrigation.

## 2. Signal intent within the Provider of Choice draft policy to revisit **through the rate methodology process:**

- Propose to retain:
  - Propose a percent discount set for the term of the contract.
  - Determine \$ value of discount each rate case.
- Propose to update:
  - Eligibility criteria
  - Modify percent discount accordingly, depending on change in energy amounts.

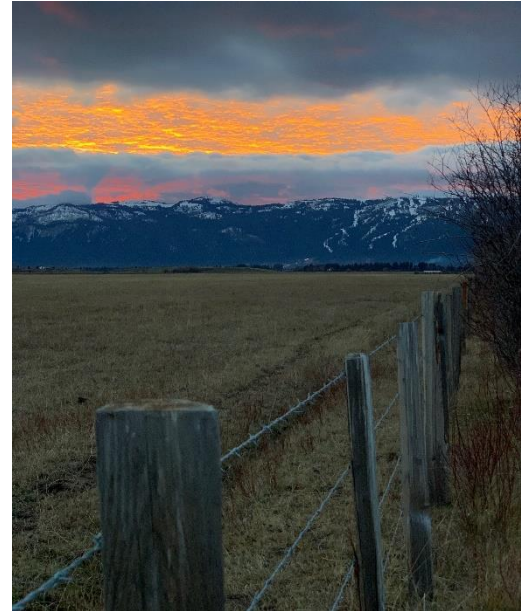
# Refresher: Low Density Discount

- Section 7(d)(1) of the Northwest Power Act directs the Administrator to provide an LDD to **avoid adverse impacts** on the retail rates of customers with **low system densities**.
- LDD increases the average effective PF rate by approximately 2% or **\$0.69/MWh**.
- Program changes are made in section **7(i) rate proceedings**.

# Low Density Discount: Feedback

## Initial public workshop held Dec. 2022

- Customer feedback:
  - Comments have largely centered around the rate shock customers experience when eligibility criteria is not met and no longer receive LDD.
    - A primary driver for customers becoming ineligible under Regional Dialogue is due to reaching a higher density in system, i.e. Consumers/Pole Mile (C/M) threshold of 12 is exceeded.



# LDD Feedback (Cont'd)

- Encourage more stable rates and **gradual rate changes** for customers receiving LDD.
- Consider either C/M or K/I ratio for qualification.
- **Increase** C/M ratio above 12.
- Modify criteria to **taper benefit**.
- Reconsider need for **annual review**.

# Consideration 1: Timing of Calculation

- Current program design determines eligibility and discount level prior to the start of each Fiscal Year.
- Options to avoid rate shock while also easing administration:
  - Could propose to determine eligibility and discount level on a rate period vs. annual basis.
  - Perform calculation for the following rate period at the start of the rate case, informing customers of eligibility and discount level well in advance to set rates accordingly.
  - This approach may also eliminate the need for the LDD Phase-In Adjustment.

# LDD – Eligible vs Applicable %

- The Regional Dialogue policy proposed to avoid biasing customer's choices between purchasing power at a Tier 2 rate or from non-Federal resources.
- As a result, the TRM introduced methodology that adjusted the LDD as if Above-RHWM Load was included.

$$\text{applicableLDD} = \text{eligibleLDD} \times \max \left( \frac{\text{adjTRL}}{\text{RHWM}}, 1.0 \right)$$

# Consideration 2: Load Growth

Load growth can considerably impact a customer's LDD %.

- Many customers across the region are facing significant non-NLSL load growth.
- There is also NLSL load growth in the region.
  - For NLSL loads, Grandfathered Load (PF eligible load) is included in the *adjTRL* of the applicable LDD calculation.
- Both types of load growth can increase a customer's LDD benefit.

# LDD – Bonneville Policy Proposal

Signal intent within the Provider of Choice draft policy to revisit **through the rate methodology process:**

- Review the Regional Dialogue LDD methodology and address both timing of the calculation and changing loads and load profiles.





# Reflections Daniel Fisher



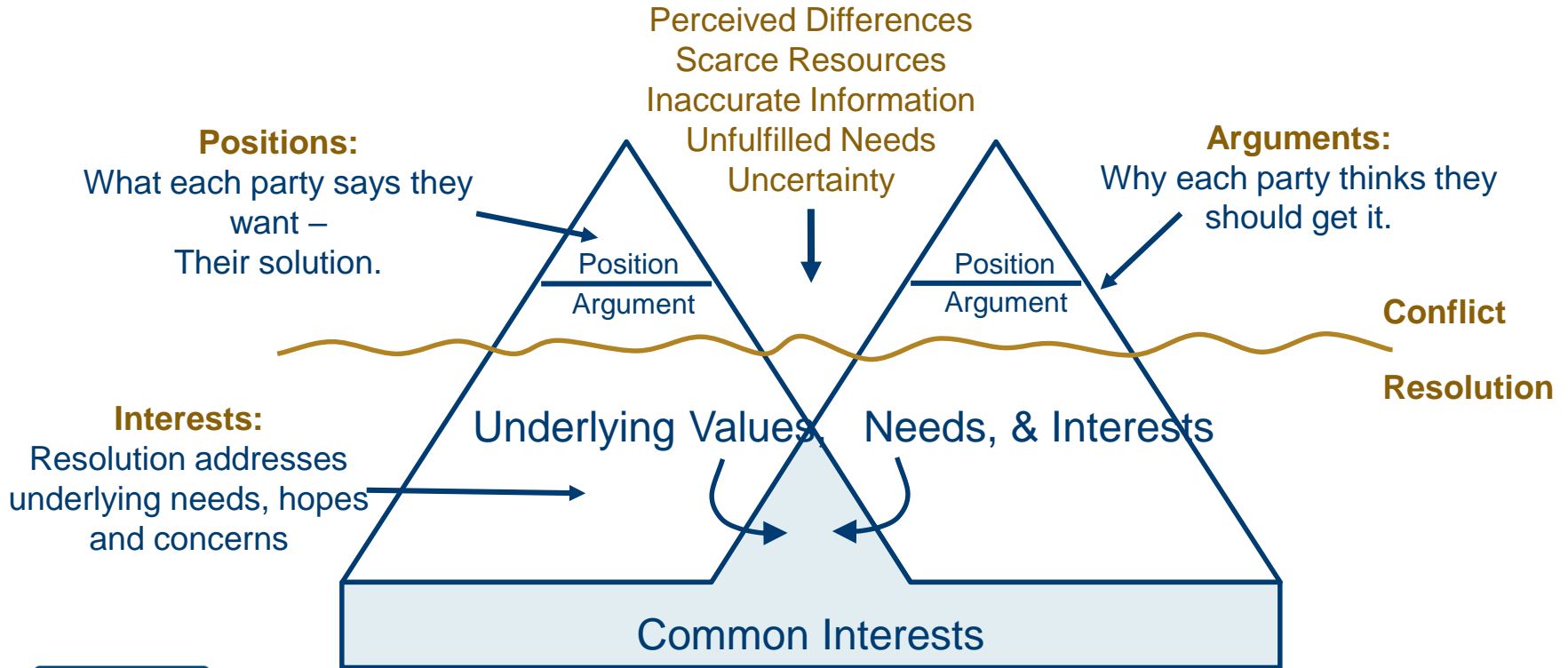
**See supplemental materials  
provided separately**



# Reflections

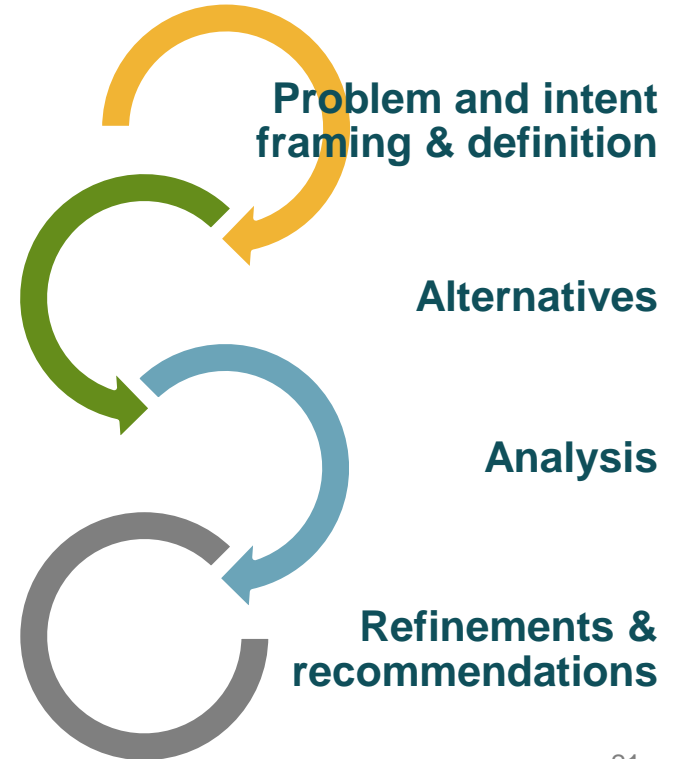
## Kim Thompson

# Acknowledging the Present



# Policy Development Iterative Process

- Since the release of the Provider of Choice Concept Paper, Bonneville has been taking in and contemplating customer positions shared during workshops, written informal comments, and customer proposals.
- BPA's position has not been static; we anticipate additional adjustment for the draft policy. Additionally, formal comments will influence BPA's final policy.



# Provider of Choice Principles & Goals

- Lowest possible Tier 1 rates consistent with sound business principles.
- Consistent with statutes.
- Standardized offerings; transparent processes.
- Support financial stability & regional obligations.

1. Regionally supported policy and contracts.
2. Customer net requirements fully subscribe FBS.
3. Equitable product and service offerings.
4. Non-federal resource investment & integration flexibility.
5. Support customers meeting national and regional objectives.
6. Administratively straightforward and implementable.
7. Build on long history of stewardship and regional relationship.

# From Competing Interests to Balance



Image Credit: [www.wakecoaches.com](http://www.wakecoaches.com)

A scenic landscape photograph featuring a rocky stream in the foreground, surrounded by a dense forest of tall evergreen trees. The stream flows over large, light-colored boulders. In the background, there are mountains under a blue sky with light clouds. The text "Day 2: March 22" is overlaid in the center of the image.

**Day 2: March 22**





# **BPA Transmission Updates**

**See presentation provided separately**





# Customer Presentations

See presentations provided separately





# **Billing Credits**

## **Sarah Burczak, Policy Lead**

# Billing Credits Under Provider of Choice

- Under the Northwest Power Act of 1980, a customer has **the right to request a billing credit** for conservation or resources constructed, completed or acquired by a customer or its agent.
- BPA received comments expressing support for billing credits to serve both Tier 1 augmentation, if needed, and Above-RHWM options.
- BPA believes that for system augmentation needs an **RFO approach is better suited than billing credits as a strategy** to augment the system through customer resources and compensation.
- BPA seeks feedback on what flexibilities an RFO does not offer to customers that billing credits do, and whether customers remain concerned with forgoing billing credits like they did under Regional Dialogue.

# Non-federal Resource “Buckets”

## Tier 1 Augmentation

- Increasing the size of the Tier 1 System would require non-federal acquisitions. This could be achieved by a variety of options including a RFO or billing credits.

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## Tier 1 Take-or-Pay Offset

- Non-federal resources, located on a customer's distribution system can offset a portion of a customer's Tier 1 take-or-pay obligation (lower of 5 MWs or 50% of CHWM). Contracts will not track non-federal resources smaller than 1 MW.

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## Above-RHWM Load Service

- Non-federal resources can be used to serve a customer's Above-RHWM load.

# Billing Credits per Statute

- The Northwest Power Act provides the foundation for how Bonneville would offer billing credits but there are more considerations to billing credits than just what is shared in the statute.
- The rate impact to the Administrator's other customers of granting the credit **shall be no greater than the rate impact** such customers would have experienced had the Administrator been obligated to acquire resources in an amount equal to that actually produced by the resource for which the credit is granted.

- From the Northwest Power Act:

The Administrator shall:

Require that the operators operate such resource in a manner **compatible with the planning and operation of the region's power system.**

The Contract will:

insure **timely** construction, scheduling, completion, and operation of resources,

insure that the **costs of any acquisition are as low as reasonably possible**, consistent (A) with sound engineering, operating, and safety practices, and (B) the protection, mitigation, and enhancement of fish and wildlife (...)

insure that the **Administrator exercises effective oversight, inspection, audit, and review of all aspects of such construction and operation.** Such contracts shall contain provisions assuring that the Administrator has the authority to approve all costs of, and proposals for, major modifications in construction, scheduling or operations (...).

# Billing Credits and Tiered Rates

- Billing credits can **undermine the entire purpose of tiering the rates** by providing an avenue for a customer's non-federal resource costs to be recovered through BPA's Tier 1 rate.
- For this reason, BPA and customers agreed to **forgo implementing billing credits** during the Regional Dialogue contract.
- Valuing resource characteristics (e.g. environmental attributes, energy shape, location and capacity availability) **further complicates implementation.**

# Billing Credit Considerations

- **Load obligation and environmental attributes:**
  - Customer would apply the resource as a dedicated resource and would **use up part of their eligibility** to purchase power under the CHWM.
  - The customer would **retain any environmental attributes** associated with the resource.
  - The energy and capacity on which a credit to a customer is based shall be **the amount by which a conservation activity or resource actually changes the customer's net requirement for supply of power or reserves from the Administrator.**
- **Risks associated with resource type:**
  - The billing credit contract would only pay for output produced so the **customer would take on the costs of the risk** of resource underperformance.
  - In addition, the characteristics like **dispatchability and capacity contribution** of the resource would need to be evaluated against the characteristics of the alternative resource.
- **Length of the contract:**
  - Because the billing credit would need to account for the customer paying BPA the expected PF rates, BPA would propose the **billing credit only last for the term of the Provider of Choice contract** otherwise the customer would be taking on risks of changes in future rate designs.



# Billing Credit Considerations (cont.)

- **Total qualifying resource costs measured in \$/MWh:**
  - Total **costs are equal or less** than estimated costs for BPA to acquire its alternative resource choice.
  - Environmental attributes would **need to be accounted for financially to ensure that other customers are no better or worse off** by BPA providing the billing credit than if BPA had purchased the alternative resource.
- **Rates:**
  - The billing credit resource **becomes a part of the Tier 1 cost pool**, with the cost of the credit being collected and recovered within that cost pool.
  - Customer continues to pay BPA the applicable PF rate for the amount of power they are getting the billing credit for.
  - The Billing Credit is the difference between the agreed cost of the resource, and the Tier 1 Rate. When the resource cost exceeds the Tier 1 Rate the customer would receive a credit and when the resource cost is less than the Tier 1 rate the **customer would pay the difference**.

# RFO – a Modernized Billing Credit

- BPA will need to acquire resources if it is augmenting and that source could be a customer or group of customers looking to build a non-federal resource.
- BPA sees a Request for Offer (RFO) as a **more efficient method to reach a similar outcome** as billing credits.
- Purchasing a customer's resource via an RFO would essentially give customers the **same payment they would have received from billing credits** without any change to their no reduction to the customer's net requirements or under the tiered rate construct no reduction to their rights to PF power under their Provider of Choice contract. This would **simplify implementation and provide flexibility** as to the term of the resource output purchase.

# Request for Offer Considerations

## An RFO could provide:

- Match resource acquisitions to **BPA's load needs**.
- Allow BPA to evaluate the characteristics of all resource alternatives at the same time to ensure the most **cost-efficient** resource was selected as measured against planning, operational and policy requirements.
- Price discovery to ensure that customers (via Bonneville's applicable cost pool) **gets the best deal in terms of cost and environmental attributes**.
- Additional benefits like **congestion relief** by taking into citing into consideration.
- Flexibility to limit term of resource need to **align with purchase election** from Bonneville.
- Preference to non-federal resources as part of an RFO process.

# Billing Credits and Above-RHWM Load Service

## Billing credits also a mis-fit for Above-RHWM Load Service:

- BPA does not intend to offer Billing credits for Tier 2. Billing Credits would not generally make sense for Tier 2 Rates because the **alternative cost and the credit would likely be about the same.**
- Customers have options in how they serve their Above-RHWM load. Offering billing credits for federal service **blurs the distinction** of a federal and non-federal options.
- If BPA needed to augment the system to meet federal Above-RHWM load obligation, acquiring **non-federal resources through an RFO** could be part of the solution.

# Discussion

- BPA believes that for both Tier 1 and Tier 2 system augmentation needs, an **RFO approach is better suited than billing credits as a strategy to** augment the system through customer resources and compensation.
- BPA is looking for feedback on:
  - An RFO approach to acquisitions/augmentation generally.
  - What flexibilities for customers an RFO lacks that billing credits provide.
  - And, should BPA formalize an RFO approach, whether customers could support forgoing billing credits, similar to Regional Dialogue's approach.



# Schedule & Feedback

Michelle Lichtenfels, Program Manager, Provider of Choice

# Mark Your Calendar

Date	Time	Location	Workshop Topics	Post-Workshop Feedback Request Date
April 2023	Various	Various	<ul style="list-style-type: none"> <li>• Summary of draft policy direction developed to-date</li> <li>• Note: The April 20 workshop (Portland hybrid) will be extended to all-day and include additional content in the morning.</li> </ul>	April 28
May 24	9am – 12 pm	BPA Rates Hearing Room and Webex	<ul style="list-style-type: none"> <li>• Executive level summary of Provider of Choice draft policy direction</li> <li>• Updates from April presentations</li> </ul>	-

# April Meetings – See BPA Event Calendar for More Detail

- In April, BPA Power Services leadership and the Provider of Choice team will travel to locations throughout the region for a series of half-day public meetings.
- Objectives:
  - Share a summary of draft policy direction developed to-date.
  - Promote executive-level discussion in smaller group meetings.
- The same content will be shared at every location.
  - The April 20 meeting in Portland will be extended to be all day, and include additional content in the morning.
- Most meetings will be in-person only.
  - The Portland location will include both in-person and Webex options.
- Meeting materials anticipated to be posted no later than Monday, April 3.

## Utility Host + Location

**Tuesday, April 11**  
United Electric, Heyburn, ID

**Wednesday, April 12**  
Inland Power, Spokane, WA

**Thursday, April 13**  
Missoula Electric Coop, Missoula, MT

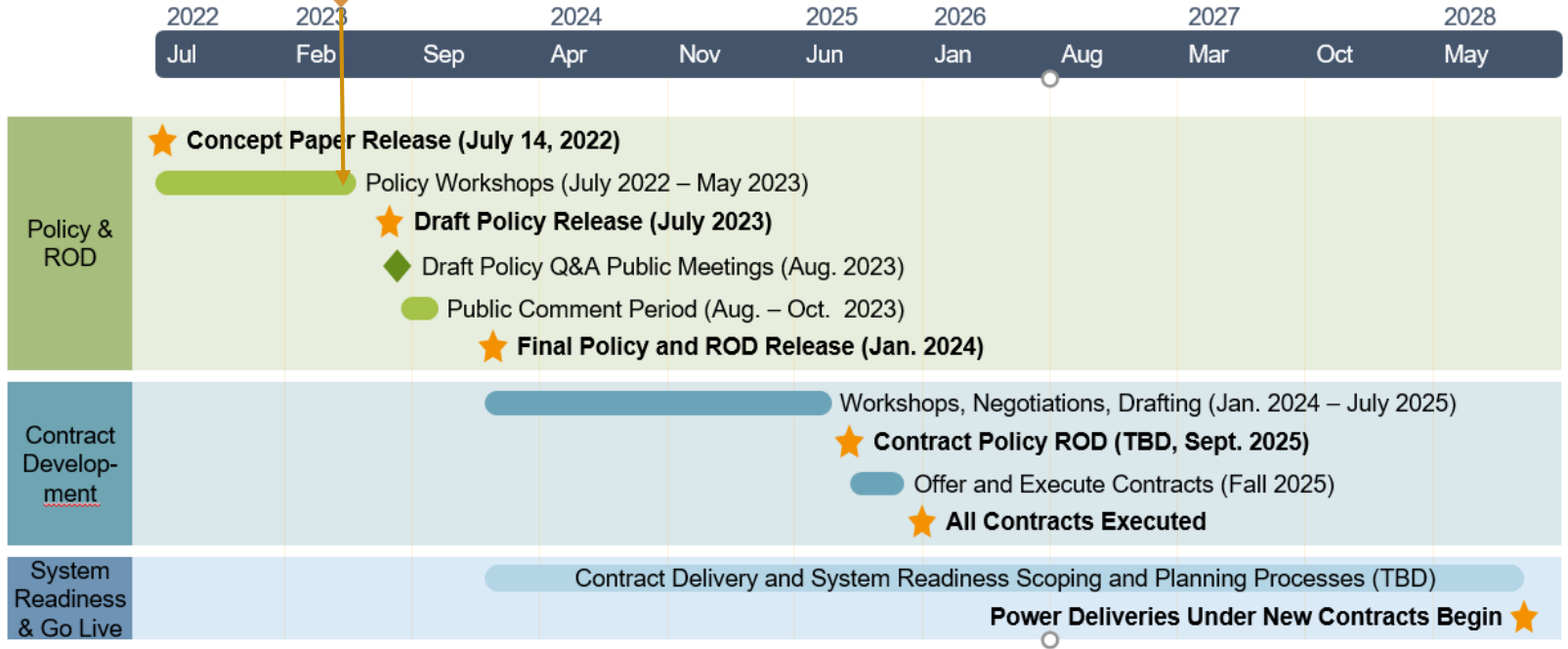
**Tuesday, April 18**  
Tacoma Power, Tacoma, WA

**Wednesday, April 19**  
EWEB, Eugene, OR

**Thursday, April 20**  
BPA, Portland, OR



# Timeline



Last Updated 12/1/2022

# Feedback



- Please share your initial feedback by **March 31**.
- Please send to your Power AE and/or **Post2028@bpa.gov** with a copy to your Power AE.
- Please note that direct responses will not be provided.



# *Thank You.*

## **Provider of Choice Lead Sponsor:**

Kim Thompson, Vice President, Northwest Requirements Marketing: [ktthompson@bpa.gov](mailto:ktthompson@bpa.gov)

## **Provider of Choice Leads:**

Sarah Burczak, Policy Lead: [seburczak@bpa.gov](mailto:seburczak@bpa.gov)

Kelly Olive, Contract Lead: [kjmason@bpa.gov](mailto:kjmason@bpa.gov)

Michelle Lichtenfels, Program Manager: [melichtenfels@bpa.gov](mailto:melichtenfels@bpa.gov)

## **Find Us:**

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[Provider of Choice - Bonneville Power Administration \(bpa.gov\)](http://Provider of Choice - Bonneville Power Administration (bpa.gov))

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