

June 2nd, 2022

Kim Thompson
Vice President, Northwest Requirements Marketing
Bonneville Power Administration
Via email to Post2028@bpa.gov

Re: Bonneville Power Administration's Provider of Choice Goals and Principles

Thank you for the opportunity to provide some input into the Bonneville Power Administration's Provider of Choice framework, as you kick off the public participation process and work to develop a Concept Paper to inform the Post-2028 power contracts. These comments are in response to BPA's Goals and Principles presented at the May 19th, 2022 workshop.

I. Environmental and Public Interest Principles:

As previously shared in our Sept. 2021 letter, these are the principles through which we will be evaluating BPA's proposals in this process:

- **The flexibility of BPA's system is more valuable to the region than ever.** BPA's products and services should reflect the value of the system, and maximize the benefits of the system to the region during the contract term.
- **BPA's products and services should enable transformation, not constrain it.** In addition to clean energy policies in Washington and Oregon, BPA must accommodate a broader effort to decarbonize the regional economy - including load growth due to electrification, increasing need for access to transmission, integration of non-Federal and customer-side resources, and the need for clean capacity.
- **The need to invest in the demand-side of the system is growing, not shrinking.** Investments in energy efficiency, demand response, flexible load management, and customer-side resources take pressure off the river and reduce the need for new capacity resources. These investments also support community resilience, improve equitable distribution of benefits, and avoid land use conflicts and other natural and cultural resource concerns.

Our vision for Post-2028 Requires BPA and its customers to think beyond the Regional Dialogue. As BPA embarks on this process, we continue to urge you to think creatively, and to avoid the impulse to rely on the 2007 Regional Dialogue as a framework for these discussions. While the Regional Dialogue principles are still relevant, the world of 2028 is fundamentally different than 2007. The electricity industry is in the midst of dramatic change driven by climate

change and technological innovation, and state clean energy goals. We are pleased to see BPA customers also advocating for changes that move the region beyond the Regional Dialogue.

As part of our recommendation for BPA to evolve the Provider of Choice principles from the Regional Dialogue principles we recommend taking a broader frame for considering how BPA brings value to its customers. For example, “lowest possible rates” should not be a barrier to BPA providing products as part of 2028 contracts that bring other values. In addition, BPA should not saddle the 2028 contracts with the obligation to provide “financial stability to BPA” as a core principle of the Provider of Choice. These contracts will certainly contribute to agency financial stability and there may be many other strategies and services that will also provide financial stability to BPA. We also recommend that while “standardized products” are important, this principle should not limit the types and variety of products that will address all the needs of customers given their own goals.

The Northwest is unique, both because of our region’s long history of leadership in clean energy innovation and energy efficiency, as well as our strong public power sector, and our reliance on hydropower generation from the Federal Columbia River Power System and BPA. As the region considers what it needs from the BPA system Post-2028, we urge a continued focus on diversifying the Northwest’s clean energy resources, supporting increased certainty for BPA and its customers, and restoring environmental values. The following goals are not only not mutually exclusive, but are complementary with broader public policy goals in the region supporting affordability, reliability, decarbonization, equity, and environmental justice.

II. Environmental and Public Interest Goals:

We urge BPA to consider the following goals for the Post-2028 contracts:

- **BPA resources will be emissions-free.** We envision a Northwest electricity system free from greenhouse gas emissions, even as that system grows to power the transportation sector and serves an increased role in heating buildings and industrial processes. A clean, modern BPA system will employ energy storage, enable smart grid technologies, and leverage the full flexibility benefits of an environmentally responsible hydropower system to help integrate growing amounts of clean renewable energy. It is possible for BPA to achieve this goal during the contract term, and we urge BPA to make an explicit effort to do so.
- **The BPA system will be better integrated with the broader Western grid.** A more resilient BPA system that facilitates better coordination among utilities in the region and integration between the region and Western power markets will be better able to quickly and responsibly create new opportunities for renewable energy and deliver clean energy to customers efficiently and affordably. We commend BPA for joining the Western Energy Imbalance Market, and encourage it to continue to evaluate other market opportunities that meet public interest outcomes. These should include

environmental, economic, and equity outcomes, and improve affordability and reliability.

- **BPA will enable and promote customer-side resources.** BPA's system and product offerings will empower its customers to maximize energy efficiency in homes and businesses and offer new technologies to enable customers to control their usage and their energy bills. Energy efficiency, demand response, and flexible load will continue to be critical resources for the region during the contract term. The expansion of grid-enabled buildings, electrification, and distributed generation and storage should be encouraged.
- **BPA will operate its system in a manner that will enhance wild salmon runs and honors obligations to the Tribes and future generations of Northwesterners.** A business-as-usual approach to environmental commitments is not sufficient to address the imperative of environmental justice. A clean, modern electricity grid must bring benefits to the environment, to the regional and local economies, to endangered species, and to each one of us who calls the Northwest home.

III. BPA Provider of Choice Goals:

We offer the following preliminary comments on the principles that BPA has put forward:

1. *Regionally supported Provider of Choice policy and contracts.*

We appreciate BPA's acknowledgement that the policy and contracts should be supported by the region as a whole. Given BPA's vital role in ensuring a more resilient, efficient, and environmentally responsible electric system, the stakeholders who have an interest in this process are numerous, diverse, and represent many different interests and constituencies. This public process, and ongoing discussions with public interest organizations, policymakers, and other non-customer stakeholders will be important to ensure that BPA's policy and contracts meet this goal.

2. *The Federal Base System is fully subscribed to supply customers' net requirements.*

The flexibility provided by BPA's system is more valuable to the region than ever. There is an inherent tension between supplying customers' net requirements and maximizing the value of the system to the region. We encourage BPA to clarify that its customers include all utilities in the region, since the Power Act provides that BPA can sell additional Federal Base System resources to investor-owned utilities once preference requirements are met. We acknowledge that supplying customers' net requirements is a high priority for the Post-2028 contracts, and we believe that this goal can be met while also implementing important changes to the contracts to address the changing needs of the region. We urge a balanced approach.

3. *Product and service offerings are equitable.*

We encourage BPA to provide more clarity in this process about its options for achieving this goal, and its definition of equity. BPA has expressed that “equitable” means that product offerings balance the benefits, costs, and risks while recognizing differences in needs and interests. For example, we urge BPA to ensure that customers who have invested in energy efficiency over the past two decades are not disadvantaged in system size and allocation decisions in the Post-2028 contracts.

We further advocate that BPA commit to a view of equity that advances environmental justice and economic development for disadvantaged communities. We also note that BPA has the obligation to exercise its responsibilities under the NW Power and Conservation Act in a manner than “provides *equitable* treatment for such fish and wildlife with the other purposes for which such system and facilities are managed and operation.” Federal agencies are working with states and local communities to deliver at least 40 percent of the overall benefits from Federal investments in climate and clean energy to disadvantaged communities, consistent with the Biden Administration’s Justice40 Initiative. We urge BPA to review the interim guidance to federal agencies, and consider how it might embrace the spirit of the Justice40 Initiative in its definition of equity and its achievement of this goal.

4. Contracts offer customers flexibility to invest in and integrate non-federal resources.

While this goal focuses on offering customers flexibility, we encourage BPA to think more creatively about its role. During the contract period, the region can anticipate significant build-out of renewable energy generation across the West – particularly solar and wind. As the penetration of these resources on the grid increases, and coal and gas plants retire, the need for flexible capacity – and the potential value of resources that can provide flexible capacity with lower environmental impacts – will increase. BPA should lean in more, and consider how it can help facilitate the region’s clean energy and climate goals, broader decarbonization of the economy, and the integration of clean non-federal resources. We strongly encourage BPA to expand and diversify its clean flexible capacity offerings in order to maximize the value of the system, and allow for better integration of new low-cost renewables available in the market.

5. Contracts support customers meeting national and regional objectives.

We agree that it is critical that Bonneville supports its customers in meeting their applicable clean energy compliance requirements. However, since these contracts will be in place well into the next decade, it is necessary for BPA to think well beyond today’s compliance obligations. Electrification of the transportation and building sectors is underway, and utilities in the region are currently planning for meeting that new load growth. We encourage BPA to consider how the capabilities of Federal system can be leveraged to support the broader clean energy transition. This will support BPA’s competitiveness and the value of its product in the region.

6. Administratively straightforward and implementable contracts.

We support this goal.

7. Provider of Choice policy and contracts build on a long history of stewardship and regional relationship.

This goal emphasizes that BPA values its relationships and commitments to the Pacific Northwest. Of course, this goal is paramount, and all-encompassing. The region is at a pivotal moment, where resource decisions made in the next decade will have long-term impacts on carbon emissions, natural resources and habitat, and salmon populations. The science is clear – if we hope to avoid the worst impacts of climate change, and recover critical salmon populations, we must be prepared to make major changes in operation of the Federal Columbia River Power System. At the same time, the impacts of climate change are already upon us, and disproportionately fall on vulnerable populations and historically underserved communities. Going forward, the region’s resource portfolio must adapt to our changing system needs, avoid further harm to those who are most highly impacted, and invest in making our communities and the region as a whole more resilient.

From a historical perspective, we note that the Post-2028 contracts will be in place during the years approaching BPA’s Centennial. This is an opportune time for the agency to reflect on its first hundred years and ask hard questions about what will be its legacy in next century. The hard truth is that while the Federal hydropower system enabled economic development in our region, it has also contributed to cultural and economic harm in Indigenous communities and ecological collapse of native and wild fisheries. A business-as-usual approach cannot begin to right these wrongs. We urge BPA to take seriously its obligation to Northwest Tribes, to build energy resilience in Tribal communities, and to consider how recommendations from the Tribes might be implemented through the Provider of Choice process.

Conclusion:

Thank you for the opportunity to provide some initial thoughts on the Provider of Choice Principles and Goals. We look forward to participating in the public process for this effort, and continuing to engage with BPA on these critical issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Lauren McCloy". The signature is fluid and cursive, with the first name "Lauren" being larger and more prominent than the last name "McCloy".

Lauren McCloy
Policy Director, NW Energy Coalition

cc: to John Hairston, Michelle Lichtenfels, Sarah Burczak, and Josh Warner