



Energizing Life in Our Communities

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Submitted via email: post2028@bpa.gov

Public Utility District No. 1 of Snohomish County (Snohomish) appreciates the opportunity to provide comments on topics covered at the March 9th Bonneville Power Administration (BPA) Provider of Choice Workshop, as well as market content from BPA's February workshops.

These comments provide feedback on the following topics:

1. Thank you to BPA staff
2. Allowing a specific load adjustment for economic conditions
3. Recommending against changing the treatment of specified resources
4. Limiting Tier 1 transfer service costs to currently existing non-federal resources
5. Continuing exploration of BPA becoming the First Jurisdictional Deliverer for the WA Cap and Invest program
6. Ensuring that BPA protects the value of BPA power products in future organized market frameworks

1. Thank you to BPA staff

We are close to approaching the 1-year mark since the Provider of Choice workshop series kicked off on April 21, 2022, which was preceded by months of public power engagement. **It is clear that BPA staff is working hard to cover an enormous breadth of issues that impact nearly every aspect of BPA's operations, and it is also clear that BPA staff cares about the issues they are bringing forward.**

Snohomish sincerely appreciates the efforts of BPA staff to develop proposals, provide venues of engagement, and move the process closer to contracts.

We value the opportunity to participate in this process, and we acknowledge the difficulty in working through issues that do not have customer consensus, or where BPA and its customers may have different perspectives. In our local roles of working with and for our customers, we have shared analogous experiences, and we can appreciate the difficult nature of the work.

While we write often to share our perspectives for inclusion in the process, Snohomish would like to start by expressing gratitude to the staff for the difficult work they are undertaking. Snohomish is committed to engaging in the process respectfully, and is actively looking for regional compromises that help all parties prepare for the future.

2. Specific Load Economic Adjustment

Snohomish appreciates BPA’s willingness to consider a limited economic adjustment to a utility’s contract high water mark (CHWM) for identified loads that have experienced a temporary reduction but are expected to return in the near term. Unusual economic conditions have occurred over the last several years and have continued into 2023, including pressures due to high inflation, increased natural gas prices, supply chain constraints, and lingering impacts of the COVID-19 pandemic. For many industries this has created a situation where some large consumers have experienced temporary load reductions that are expected to return prior to the calculation of CHWMs.

Snohomish believes that a targeted proposal can account for these returning loads throughout the region while remaining limited in nature to provide certainty to BPA and its customers. **Such an approach is described in the comments submitted by Cowlitz PUD, and Snohomish supports that approach.**

3. Classifying Specified Resources as deductions from Customer CHWMs

Snohomish believes BPA should not deduct specified resources from customers’ CHWMs. We understand that this perspective is widely shared and we have recognize the perspective in numerous comments from regional peers. This proposal is a disincentive to resource development and is in conflict with the intent of BPA’s established resource policies. Utilities, including Snohomish, responded to the policy direction established in Regional Dialogue and invested in renewable resources. Investing in these resources ahead of need allows utilities to be proactive instead of reactive; to plan for future load growth that may exceed the utility’s CHWM. This reduces BPA’s need to procure federal Tier 2 resources and simultaneously maintains the integrity of the at-cost Tier 1 system.

However, if the CHWM is reduced in Post-2028 contracts due to this investment, utilities that invested in renewable resources will be significantly and materially penalized. Such a result will discourage utilities from developing renewable resources ahead of, or in amounts greater than, their current above-HWM load, discouraging utilities from proactively developing resources to meet expected load growth. In short, BPA customers would interpret this unexpected change in policy as an ongoing material risk that could strand future utility assets and investments and be considered in any resource development decision.

Further, BPA’s new specified resources proposal in the CHWM calculation undermines the construct of planned products (Block/Slice). Reducing CHWMs by the amount of dedicated resources as proposed lessens the amount of *energy* that can be purchased at Tier 1 rates, and does not alleviate Slice customers’ need for *capacity* — especially if BPA’s proposed peak net requirements (PNR) calculation is applied in tandem with the CHWM proposal (see Slice Customer Group comments on PNR and Products¹). This represents a unique risk for partial requirements customers with twofold setbacks on both energy and capacity. This unintended consequence is not tested as BPA has not yet described how the proposed PNR methodology might be implemented.

For these reasons, Snohomish supports the Northwest Requirements Utilities’ (NRU) “new” specified renewables exception in the CHWM calculation presented at the November 9, 2022 PoC

¹ [Slice Customer Group Comments on PNR and Products, March 10, 2023](#)

workshop.² The NRU “new” specified renewables proposal preserves the intent of BPA’s established policies, and avoids penalizing utilities that have made the investments encouraged by the contracts they hold.

4. Transfer Service for Non-Federal Resources

Snohomish believes that BPA should continue to provide transfer service for existing non-federal resources that are currently operating in the Regional Dialogue contract. If BPA changes the treatment of these resources, it undermines confidence in BPA’s long term policy stability and penalizes those utilities who based investment and portfolio decisions upon the assumption that BPA policy would remain durable through the life of their resources.

However, **BPA should carefully reconsider the rate treatment of new non-federal resources.** One of the guiding principles of Provider of Choice is preventing cost shifts between customer groups. By continuing the policy of assigning non-federal transfer service to the Tier 1 cost pool, BPA is shifting resource development and operation costs away from those entities experiencing load growth and placing them upon other utilities customers. If the driving force behind non-federal resource transfer service as a policy decision is to incentivize non-federal resource development, BPA has better policy options to leverage such as Tier 1 and Tier 2 rate structure design, CHWM allocation, and Tier 2 product structure.

5. First Jurisdictional Deliverer (FJD)

Snohomish appreciates the challenges to becoming the First Jurisdictional Deliverer (FJD) as described by BPA during the workshop and recommends BPA continue exploring the option.

Snohomish believes there is still significant value for BPA to become the FJD not only for BPA customers in Washington, but also for BPA customers outside Washington, and BPA itself.

Snohomish encourages BPA to work with both customers and the Washington Department of Ecology to find a workable pathway to program participation that is not overly burdensome for BPA while enabling full coverage for BPA customers and market counterparties. Snohomish would also be open to helping facilitate any discussion between BPA and Ecology to achieve this outcome.

Snohomish recommends that BPA consider starting the workshops and decisional process sooner than Fall 2023 in order to ensure there is sufficient time for BPA and interested utilities to provide notice to Ecology by January 1, 2024. This is especially important if agreements between BPA and each utility must be in place prior to providing such notice, as may be indicated under WAC 173-446-040(3)(e)(iii).

6. Organized Day-Ahead Markets and BPA Power Products (February workshops)

Snohomish was pleased to see BPA introduce discussion of future organized market evolution into the February workshops and recommends that BPA consider clearly stating in the Draft Policy Release that the value proposition of BPA products should be preserved in a day-ahead market context. The Draft Policy Release should also recognize that this preservation may require

² [Northwest Requirements Utilities Presentation, Nov. 9, 2022](#)

modifications to the power products beyond what is contemplated in the Draft Policy Release, to be developed as more information is available.

Snohomish believes that the organized day ahead markets currently under discussion (CAISO Extended Day Ahead Market and SPP Markets+) have the potential to provide significant benefits to BPA and power customers. For those benefits to be fully realized BPA power products must be compatible with the organized market. Given the unique nature of BPA power products this is likely to require some combination of adjustments to power products and/or to day-ahead market design. This may be particularly true for the Slice product, which places the risks and benefits of the variable Federal system output onto customers, and which in turn requires customers to actively market the Slice product during periods of surplus.

BPA recognized the need for market compatibility in the February 21 workshop, noting there may be changes required to make products compatible with day-ahead markets. Snohomish would encourage BPA to think more broadly than the timing considerations noted on the slide. It is also important to ensure that the *value proposition* of BPA products will be preserved in a day-ahead market context. For example, for Slice customers, the capability to market the Slice product in the pre-schedule and real-time hourly bilateral markets is an important part of the current value proposition that matches the customer responsibility for the variability of the federal system (and of customer loads and resources) down to the hourly level. A poor outcome would be if BPA joined an organized day-ahead market in which market rules prevented customers from directly participating with the slice product, yet customers retained the same level of responsibility for the variability of the federal system (and of customer loads and resources) as today.

Other power product/organized market compatibility issues that may arise include how to appropriately conduct an RSO test in an organized market context. For the proposed Block with shaping capability, the limitation of only allowing shaping in HLH hours may pose a challenge for meeting WRAP and/or day-ahead market must-offer obligations.

Snohomish recognizes that solving the above issues are outside of the scope of the current stage of the Provider of Choice process, but they are illustrative of the type of issue that may require modifications to the BPA power products for true day-ahead market compatibility. Snohomish encourages BPA to continue working with customers and in market stakeholder processes to ensure that market rules and BPA power products are compatible. Snohomish believes that each of the issues raised should be resolvable in a way that works for BPA and customers but may require a greater degree of flexibility than was expressed in the February 21 workshop.

Again, we appreciate the hard work of BPA staff throughout the Provider of Choice workshop series, the opportunity to respectfully share our perspectives on policy and contract issues, and we welcome additional discussion in pursuit of practical, and durable contracts for BPA and its customers.

Respectfully,

Garrison Marr
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Snohomish PUD