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Seattle City Light's Comments on BPA's Provider of Choice Process

Thank you for the opportunity to comment on BPA's Provider of Choice Workshop held on May 19. We appreciate BPA's efforts to provide for a collaborative and transparent policy development process. In general, we agree with many of the high-level goals and principles for BPA's post-2028 contract development process introduced in the workshop. Seattle City Light (City Light) would in addition like to highlight a few topics we would like to see addressed in more detail in the upcoming public meetings for this process.

First, **we encourage BPA to evaluate how the agency appropriately allocates costs to various customer groups.** For example, we want a carbon-free Tier 1 product from BPA and are committed to pay whatever this costs BPA, including whatever is required to hold-harmless the customers that do not wish to purchase a carbon-free product from BPA. On the other hand, City Light does not use Transfer Service nor has access to the Low-Density Discount or the Irrigation Rate Discount; however, cost allocation for these services is spread among all power customers. With this in mind, we encourage BPA to continue to evaluate how the agency appropriately allocates costs utilizing cost-causation principles. We also believe that issues such as the examples listed above for products and services we are willing to pay for (versus products and services socialized across the various customer groups) present an opportunity for balanced solutions to other large impact issues such as allocation and system size, and a "whole package" view should be carefully considered and evaluated in the end result of this process.

Second, **City Light and its customers have made substantial investments in energy efficiency to the benefit of all regional electric customers and BPA during and after the time of those investments, and we believe this should be recognized when allocating the Federal Power System in the next contract.** During 2011-2021 City Light spent more than \$400 million (of which roughly 15% came from BPA) to fund over 180 aMW of energy conservation savings. Accordingly, we would like BPA to implement a post-2028 power allocation mechanism that allows for load growth during the post-2028 period in a total amount at least equal to energy conservation achieved during the Regional Dialogue contract period. In other words, when determining City Light's right to purchase Tier 1 power post-2028, we would like credit for our BPA-funded and self-funded energy conservation achievements from 2011-2027. City Light, BPA, and other regional energy decision makers such as the Northwest Power and Conservation Council have long held that conservation investments are a vital part of the region's energy portfolio. BPA's next contract should honor and uphold this principle and not devalue past investments nor disincentivize future energy efficiency investments.

Third, **City Light believes future BPA power purchases should not emit greenhouse gas as the norm —long and short-term.** Going forward, we would like to see a commitment from BPA to “green up” the federal power system at every opportunity. The world and the region is not going to rescind their clean energy goals and statutory mandates; we anticipate carbon regulation will only get more stringent over the next several decades at both state and likely federal levels. BPA’s customers need BPA power supply resources that will help them meet clean energy regulations at the lowest possible cost. Accordingly, City Light urges BPA to continue to reduce carbon in its fuel mix and make provisions to offer products that are 100% clean and/or meet regulatory requirements in its customers’ states.

Fourth, **City Light encourages BPA to look forward and use those conditions known, likely, or plausible to exist during the next contract period as the foundation for the next contract** (i.e., 2037 is more relevant than 1937). The industry is in a period of great transformational changes in technology, consumer behavior, market structure and environmental policies. It is vitally important BPA’s post-2028 power supply agreement anticipate utilities could face many different situations in future that we cannot foresee in 2022 and include provisions to allow parties to revisit, and possibly amend, contractual provisions during the term of agreement. For example, City Light believes the contract should include provisions for a dynamic contract high water mark (CHWM) served at Tier 1 rates, which is initially established in 2026, then periodically (e.g., every five years) reset based on then-current net requirements. In addition, City Light encourages BPA to consider adding administrative capability now to research and prepare to acquire new renewable supply resources for Tier 1 or 2 in anticipation of these changes. City Light also concurs with BPA’s proposal that begins to move BPA’s planning methodology away from historical benchmarks – such as 1937 water conditions – that are increasingly less relevant in the era of climate change and other factors affecting the hydrology of the water system.

Finally, **City Light urges BPA to consider deliverability as a critical factor when developing federal system power products.** City Light anticipates a period of rapid electric load growth after 2028 due to electrification and is concerned about the transfer capability limitations of BPA’s existing bulk electric grid. As it increasingly appears substantially higher electric demand may not be feasible with the existing system, a product to support City Light’s resource adequacy will not be very useful if we cannot depend on its delivery when and where it is required. We feel that with its new products in mind to serve a rapidly growing electric load, BPA needs to engage in comprehensive, long-term transmission planning with its customers to assure we can collectively plan for – and execute – timely, coordinated system improvements that will enable a smooth transition to a very different electric system in the future. In the meantime, BPA should also explore all practical and technically feasible steps to optimize the existing system. BPA should strive to maximize the usage of its available physical capability, including leveraging opportunities to streamline administrative procedures, policy provisions, and technical or analytical hurdles to requested new transmission service. Additionally, BPA should ensure that the power products and terms are flexible enough to allow for changes to either provide for

deliverability or avoid charges and penalties to customers if federal power cannot be delivered due to transmission constraints.

Thank you for the opportunity to comment. We look forward to further discussion of these important topics in BPA's upcoming Provider of Choice workshops.

cc: Paul Munz, Bonneville Power Administration