

August 10, 2022

Bonneville Power Administration

via: techforum@bpa.gov

Re: Provider of Choice Concept Paper

EWEB appreciates the opportunity to offer comments on BPA's Provider of Choice Concept Paper. We also appreciate BPA staff's willingness to offer up a 'straw proposal' and their receptiveness to feedback to date. EWEB supports comments submitted by the Slice Group, WPAG, and PPC.

Peak Net Requirements

EWEB will be actively considering both load-following and Slice-type products post 2028. For this reason, EWEB has particular interest in BPA developing product offerings that are balanced and offer relatively equal value to customers. BPA's current proposal for the application of Peak Net Requirements to the Slice product, does not meet this criteria and we have serious concerns. Limiting Slice capacity during times of 'surplus' uniquely disadvantages the product. In exchange for bearing the risk of the hydro system, Slice customers receive the ability in wet water years to market surplus energy and capacity. Without the ability to effectively use these attributes, Slice customers would retain risk without proportionate benefit. The Slice product specifically benefits BPA and all public power, as it diversifies risk and moves it from the general cost pool to individual utilities. EWEB is concerned the implementation of the PNR as described would violate the TRM and BPA would not be agnostic between product choices.

Notwithstanding the issues above, we understand that the importance of capacity has shifted over the past decade. EWEB is open to exploring capacity in more depth and appreciates BPA's willingness to put together a PNR task force. The goal of any Peak Net Requirements process should be to provide customers with BPA product offerings to meet their planning, operational, and reliability needs and obligations. Any option put forward should equitably allocate the value of system capacity. Due to the concerns expressed above, EWEB believes the proposed approach to PNR should not be used as the starting point for future discussions.

Conservation

EWEB believes that the proposal to limit credit for conservation achievements in the CHWM calculation to four future years ignores the context of the Regional Dialogue contracts, and creates disincentives for future conservation investments. The Regional Dialogue contracts set out a framework where the value of the federal base system is preserved by tiering rates, and limiting the total allocation of Tier 1 power to preference customers. In this context, customers are incentivized to invest in energy efficiency to preserve their ability to access federal power. Many customers, including EWEB, act under this framework to invest in energy efficiency.

If BPA limits consideration of conservation to a handful of future years, it will effectively re-allocate federal energy and capacity from customers that made investments in energy efficiency to others who relied on market purchases or otherwise avoided investing in long-term durable resources. This outcome would substantially reduce customer incentive to invest in future conservation. Snohomish PUD has provided more detailed comments on this issue, which EWEB supports.

EWEB also has unique concerns about the use of self-funding for calculation of the conservation credit. This approach would ignore the 'lost' money paid through EWEB rates that goes to BPA overhead to help smaller utilities implement their efficiency programs. It also ignores the substantial investment that EWEB makes in internal staff to implement EWEB conservation programs.

Additionally, unlike Washington utilities that have obligations under I-937, EWEB has no requirement to track and report self-funded energy efficiency. For this reason, EWEB has not reported self-funded energy efficiency acquisition since 2015. EWEB also funds several measures that do not qualify as self-funded, such as efficiency investments in marijuana growing operations. EWEB recognizes this is a complex issue and we are hopeful that BPA staff will take the time to look at the issue with us to find a path forward. EWEB has made substantial investment in conservation and this work should be recognized and included in 2028 contract development.

Augmentation

EWEB is open to exploring system augmentation as part of a whole package. Augmentation has the potential to help resolve several challenging issues around system size and allocation to provide customers with more certainty around costs and resource planning in the future. Further analysis by BPA and public power is required to provide information about the tradeoffs and risks of different augmentation approaches.

EWEB understands the obstacles to BPA pursuing resource development, but there may be other paths that reach the same end. EWEB also recognizes that there is an opportunity cost to using federal capacity to integrate renewable resources, as there will be less flexibility to take advantage of market prices or integrate other customer-owned resources. EWEB looks forward to working with BPA to determine whether system augmentation is appropriate and represents the best path forward for BPA and public power.

Carbon

EWEB believes that it is essential BPA provide a carbon-free product post-2028. While EWEB does not have specific carbon-free legislative obligations like CETA, it is quite likely that this type of policy will exist in the future. Additionally, EWEB has Board-directed carbon goals, and BPA's product offering can be highly impactful on achieving these. For these reasons, EWEB is concerned about the absence of a proposal for a carbon-free Tier 1 product in the Concept

paper. However, EWEB is encouraged by BPA's willingness to continue discussions of this and other issues further.