

August 10, 2022

Submitted via email to Post2028@bpa.gov

Northwest Requirements Utilities (NRU) submits these comments in response to Bonneville Power Administration's (BPA) Provider of Choice Concept Paper released July 21. As you know, NRU represents the interests of 56 Load-Following customers located in 7 states across the region that hold NT (Network Transmission) contracts with BPA and power contracts for almost 30% of BPA's Tier 1 load. NRU's top priority is to work with BPA and other customers to ensure that we maximize the value of the Federal system to the benefit of preference customers in post-2028 policies and contracts.

In response to several issues reviewed in the Concept Paper, NRU offers up the following:

- 1. Request that BPA reconsider the development of an exchange or pool for growing utilities to access unused Tier 1 power.**
- 2. Support for keeping the core Load Following product as is.**
- 3. Strong support for BPA in retaining transfer service, but opposition to eliminating "comparability" and to directly assigning transfer service costs for non-federal resources.**
- 4. Request further analysis of the rates impacts of various system sizes to determine the optimal size for preference customers.**
- 5. View BPA's approach to calculating a utility's Tier 1 allocation as generally consistent with NRU's recommended approach.**
- 6. Agreement that further discussion is necessary regarding the appropriate treatment of load growth and loss within CHWM calculation.**
- 7. Opposition to requiring customers to make a one-time election regarding treatment of Above-High Water Mark Load.**
- 8. Support for providing a non-federal resource offset of take-or-pay Tier 1 obligation.**
- 9. Support for continuing Irrigation Rate and Low Density Discounts.**
- 10. Request for further conversations regarding removing forecast secondary revenue from base PF rate, the possibility of bill credits, and adjusting the contract term to end prior to January 1, 2045.**

NRU provides further detail regarding these points in the remainder of these comments.

1. NRU requests that BPA reconsider the development of an exchange or pool for growing utilities to access unused Tier 1 power.

While NRU appreciates that BPA intends to retain the tiered rate structure, we are disappointed that BPA rejected the concept of establishing an exchange mechanism or a pool of unused Tier 1 power accessible to preference customers with load needs, as provided in the public power post-2028 concept paper. NRU is concerned that growing utilities will find it difficult to meet load obligations in a low-cost way without additional flexibility mechanisms such as an exchange or pool in the post-2028 contract. NRU requests further conversations to investigate whether there are approaches to establishing a pool accessible to preference customers with a need that would involve low administrative burden for BPA and assurance that other customers would experience a limited impact associated with an exchange or pool.

2. NRU supports BPA’s proposal to keep the core Load Following product as is.

The core Load Following product, providing a product that will meet preference customers’ hourly and peak net requirements, as well as resource adequacy requirements, has performed well over the duration of the Regional Dialogue contracts. NRU appreciates BPA’s proposal to retain the core product as is.

3. NRU supports BPA in retaining transfer service in the post-2028 era but opposes eliminating the “comparability of service” concept for transfer service and directly assigning transfer service costs for non-federal resources.

NRU strongly agrees with BPA that BPA must continue transfer service in the post-2028 era. Elements included in BPA’s transfer service policy proposal, however, are particularly concerning and NRU believes these proposals would degrade the quality of service and increase costs associated with transfer service.

For customers not directly connected to BPA’s existing transmission system, BPA’s approach of utilizing transmission service from third-party transmission owners, as opposed to developing new transmission lines to directly connect customers, significantly benefits all preference customers through avoided cost savings – transfer service is estimated to have saved nearly \$3.7 billion in capital costs and \$350 million annual in costs for operations, maintenance, interest and amortization. For 55 preference customers and more than half of NRU members, their only viable option for meeting load obligations is through transfer service.

The primary elements of concern in the concept paper are proposals to directly assign transfer costs for non-federal resources and eliminate the “comparability of service” concept for transfer service. NRU has more than 30 members serviced all or partially through transfer service. And all NRU members

support ensuring that transfer customers receive transmission service that is firm and reliable and that these customers receive equitable and consistent treatment for serving their load with federal and non-federal power.

In the concept paper, BPA expressed openness to removing barriers for opportunities to add non-federal resources to a Load Following utility's portfolio. NRU appreciates this sentiment. The BPA-recommended approach of individually assigning transfer costs for non-federal resources directly to utilities, however, would serve as a direct barrier to non-federal resource development. The effect of this policy proposal would punish preference customers already at the greatest disadvantage given that they are not directly connected to the federal transmission system.

During Regional Dialogue discussions, BPA correctly concluded that financial and administrative assistance was necessary for transfer customers to have viable power supply choices to serve load growth. Under the current contracts, BPA determined that the annual non-federal transfer integration costs were minimal and supported an overall policy directed at encouraging non-federal resource development. Moreover, BPA's current policy – and a policy that NRU advocates should be continued under the post-2028 contracts – is that a BPA customer's decision to purchase from a non-federal resource or from BPA for service at the Tier 2 rate should be as economically neutral as possible. At that time, BPA acknowledged that, “[w]ithout some level of commitment from BPA, the lack of any service assistance from BPA will often be the deciding factor for most customers.” (BPA, Long-term Regional Dialogue Record of Decision at pgs. 224-225.) NRU anticipates the beneficial policy impacts of continuing to socialize these costs will by far outweigh the impacts associated with BPA's current proposal to individually assign the costs.

Additionally, BPA's current approach to transfer customers' non-federal service aligns with the concept of providing “postage stamp rates” and the very basis for the development of BPA. The current practice of socializing the costs of transfer service, regardless of the resource utilized, recognizes the higher costs associated with rural load service and helps support parity between urban and rural customers, directly connected and transfer customers, and federal and non-federal resource utilization.

The result of the proposals impacting transfer service, coupled with BPA's proposal that customers make a one-time decision regarding Tier 2 service for the term of the contracts, is that customers are forced to choose to accept the unknown cost risk of the federal Tier 2 product, or should they choose to serve their load needs through nonfederal resource development, customers are instead forced to accept the cost risk of direct assignment of transmission costs for that non-federal integration. It places BPA's transfer customers in the position of making a lose-lose decision. The ramifications of BPA's proposed policy of directly assigning these costs would prove too great a barrier for customers to invest in non-federal resources, leaving them with no alternative but to select federal Tier 2 service.

Therefore, NRU requests further analysis and discussion of this concept and an evaluation of BPA's overall policy approach to both transfer service and non-federal resource development. We encourage

BPA to continue its Regional Dialogue approach to ensure BPA customers have viable alternatives to BPA power. And NRU is committed to working with BPA to develop a policy that provides transfer service to non-federal resources without individually assigning the costs to the transfer customer.

4. NRU renews its request for further analysis of the rates impacts of various system sizes.

NRU has identified the benefits of establishing a fixed system size and continues to believe that approach may provide benefits to both BPA and preference customers. NRU, however, will not be able to support any particular system size or augmentation strategy until customers are given the opportunity to review an analysis of rate impacts, along with an analysis of rate stability and rate certainty, with an eye toward ensuring a firm and reliable power supply. NRU requests that BPA review additional system sizes and associated impact and rates to identify the optimal size for preference customers.

5. NRU sees general alignment in BPA's proposed calculation of a utility's entitlement to Tier 1 power.

NRU generally supports recalculating utilities' entitlements to Tier 1 power and agrees that broader discussions are needed to address the details, including how conservation achievements should factor into the calculation. As you know, NRU and other members of public power are working collaboratively to develop a unified approach to Tier 1 system size, allocation, and augmentation and we will share that work with BPA when it is ready later this year.

6. NRU agrees further discussion is necessary to treat load growth and loss within CHWM calculation.

In the concept paper, BPA identifies that further discussions are necessary to determine the appropriate treatment of load growth and load loss and the impact to a utility's Tier 1 power allotment. NRU agrees and anticipates the public power unified approach under development (referred to above) will likely inform the preferred approach from public power to these issues.

7. NRU opposes the proposal to require customers to make a one-time election regarding treatment of Above-High Water Mark Load and requests additional Tier 2 product choices.

NRU strongly opposes BPA's recommendation to require a preference customer to make a one-time election for the entirety of the 20-year contract for serving its Above-High Water Mark Load with either federal or non-federal resources. NRU believes BPA's proposal fails to provide a balanced approach to providing certainty for BPA and its load obligations and flexibility for preference customers to determine a cost-effective approach to meeting their load obligations. As identified in the BPA concept paper, this is a time of change that will have a significant impact on utilities across the region. Moving in the opposite direction from the concept paper, NRU recommends that BPA consider providing additional flexibility on the election timeframe for utilities beyond what is provided under the Regional Dialogue contracts.

Additionally, utilities across different jurisdictions face differing regulatory requirements to increase the amount of renewable energy used to serve load or to add a cost associated with the carbon content of the electricity. Conversely, some jurisdictions have no such regulatory requirements. To be the Provider of Choice for regional preference utilities, NRU recommends that BPA consider providing more than one Tier 2 option that helps provide options for utilities with these different regulatory requirements.

8. NRU supports BPA’s proposal to allow a customer to offset a portion of its take-or-pay Tier 1 obligation with nonfederal resources.

NRU appreciates that BPA is proposing to enable a customer to dedicate non-federal resources to offset its take-or-pay Tier 1 obligation, up to 5 MW or 50% of its Contract High Water Mark (CHWM). The flexibility this option would provide customers would be valuable and we appreciate and look forward to further working through the concept. NRU would also appreciate BPA consider allowing customers to offer unused Tier 1 power resulting from the resource dedication to an exchange pool through which customers with growing load could access and utilize the unused power at a Tier 1 rate. As recognized by BPA, the inequitable geographic impact of its proposed approach could be addressed by coupling the offset proposal with the pooling concept. For example, if a preference customer is in an area with good solar potential and seeks to add 5 aMW of solar, then a preference customer located in an area with low potential for nonfederal resource development could access the resulting 5 aMW of unused Tier 1 power. NRU believes the additional administrative burden on BPA should be more than outweighed by the cost benefits for the customers and potential of avoided augmentation needs.

Last, associated with this concept and all nonfederal resource development, NRU appreciates BPA’s recognition that modifications to Resource Support Services (RSS) is of interest to preference customers. The RSS requirements have served as a barrier to nonfederal resource development and NRU believes there are modifications to RSS that would support a comprehensive policy approach to incent nonfederal resource development.

9. NRU supports continuing Irrigation Rate and Low Density Discounts.

BPA expressed support in its concept paper for continuing the Irrigation Rate and Low Density Discounts. These programs are particularly important for NRU members due to the rural nature of many of our members’ service territories. These programs help align costs across utilities and mitigate the relatively high cost of providing service to customers located in rural areas. We look forward to working with BPA to retain and improve these programs as we further develop post-2028 policy and contracts.

10. NRU requests further conversations regarding removing forecast secondary revenue from the base PF rate, additional conversations to discuss establishing a billing credit, and consideration for ending the contract prior to January 1, 2045.

NRU appreciates BPA's proposal to eliminate forecast secondary revenues from the base PF rate and believes the concept may have some merit. NRU expects that the resulting shift in risk, and the removal of BPA's single largest risk to cost recovery, would be accompanied by a simultaneous adjustment to BPA's Financial Reserves Policy and all related policies. To develop an understanding of the impacts, NRU requests further analysis and discussion regarding the anticipated outcomes of such a change in forecasting.

Second, as identified in BPA's concept paper, under the Northwest Power Act, a customer may request billing credits from BPA for certain conservation or resource acquisition activities that reduce the load obligation for which the Administrator otherwise would have had to acquire resources. If the final system size identified in the post-2028 contracts results in resource additions to the federal system of resources, the policy may have benefits for preference customers and to BPA. NRU requests further analysis of the merits of utilizing and implementing this policy.

Last, it may make sense to end the post-2028 contracts earlier than 2025. The current Columbia Generating Station license expires prior to that time, and Washington customers will be required to comply with the Washington Clean Energy Transformation Act, which requires utilities to use 100% clean electricity for load service by January 1, 2045. Aligning the conclusion of the contracts with these timelines may be prudent.

Conclusion

Thank you for considering these comments. We appreciate the public process and open dialogue provided by BPA to develop policies that provide choices and quality products for preference customers over the duration of the post-2028 contracts. We welcome your questions and look forward to working with you.

Sincerely,

/s/ Tashiana Wangler

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