

March 31, 2023

Submitted via email to post2028@bpa.gov

Northwest Requirements Utilities (“NRU”) submits these comments to respond to several issues that were raised at the March 21 and 22 Provider of Choice Workshops held by the Bonneville Power Administration (BPA). NRU represents the interests of 57 Load-Following customers that hold Network Transmission contracts with BPA. NRU members are located in 7 states across the region and represent roughly 30% of BPA’s Tier 1 load. Of primary importance to NRU members is BPA’s continued ability to offer affordable and reliable power supply and transmission services, and durable contract options that maximize the value of the federal system for the benefit of preference customers.

Request for Offer rather than Billing Credits

The concept of billing credits provides an avenue for customers to receive support from BPA for investments in renewable resources, multipurpose projects, or other resources consistent with the current Northwest Power Plan. Per statute, a customer can request and receive a credit to their bill for the net cost savings of the customer making the investment rather than BPA. In order to qualify for the billing credit, the resource must reduce a customer’s net requirements or BPA’s obligation to acquire other resources. The statute further directs that billing credits should ensure the rate impact associated with granting the credit should be equal to the rate impact customers would otherwise experience had BPA acquired resources in an amount equal to the resource investment.

Billing credits have the potential to address customers’ desire to diversify the ownership of their energy supply and align with BPA’s goals to offer customers flexibility to invest in and integrate non-federal resources. In Regional Dialogue, due to various economic reasons, very few customers made investments in physical non-federal resources. Billing credits may be an avenue to provide support for customers to change that dynamic and provide an incentive structure to support nonfederal resource development.

In the March 21 and 22 workshops, BPA identified a concern that billing credits can undermine the entire purpose of tiering rates by providing an avenue for a customer’s non-federal resource costs to be recovered through BPA’s Tier 1 rate. NRU submits that BPA and its customers have the opportunity to determine what a tiered rates policy entails in the Post-2028 contracts and identify what types of investments the entire customer base is interested in supporting. To date, it appears there is interest in further exploring the billing credit concept, and NRU’s Board-adopted policy package submitted February

8 includes a recommendation for BPA to provide customers with the option to utilize billing credits in the Provider of Choice contracts.

As an alternative, BPA offered the opportunity to purchase a customer's resource via a Request for Offer (RFO) process, providing the same payment to customers with resources that are selected as they would receive from billing credits and without any change to the customer's net requirements. NRU understands the RFO process would be triggered through a determination by BPA's resource program that BPA has a need to augment. The program would identify the type of load profile needed by BPA to meet its needs.

NRU has a number of questions related to the two approaches and requests further analysis, including addressing the following questions:

- From a customer perspective, billing credits would provide more flexibility and opportunity to invest in nonfederal resources with greater certainty that BPA will provide support for that investment.
 - Could BPA meet customer interests and provide greater flexibility and certainty through the proposed RFO approach?
- Related to the concern about billing credits undermining tiered rates, how is the effect of offering billing credits for resource generation (that reduces the net requirements of a customer, and thus the need for BPA to acquire resources) different than offering incentives for conservation?
- Could BPA envision an approach where an annual budget could be developed to support customer requests for billing credits to mitigate concerns associated with the reduction of utilities' net requirements?
- In the most recent Energy Efficiency Draft Plan for 2022-2027, customers expressed interest in broadening the conservation program to provide incentives to support utilities' resource generation.
 - Is it possible to leverage BPA's conservation program to support customer nonfederal resource development?
- Could BPA consider aligning its proposed policy providing a nonfederal specified resource integration allowance of 5 MW (of 50% of a utility's CHWM, whichever is less)? If not, what barriers exist to aligning these two policies?
- How far along would the development of a resource have to be for BPA to consider it as a qualifying resource under the RFO approach? How often would BPA envision the RFO be released? What other details can BPA provide regarding the RFO approach?
- Does BPA see any aspect of either approach, the RFO or billing credits, that would create disparate impacts for customers choosing different products (load following vs planned products)?
- Could BPA offer both billing credits and RFO opportunities to preference customers?

Low Density Discount (LDD) Program

NRU appreciates that BPA responded to customer requests to explore ways to temper rate shock experienced by utilities losing eligibility to the program. NRU supports BPA's proposal to review in the rate methodology process (1) the timing of the review of eligibility for the discount from annual to a rate period to help address rate shocks associated with utilities losing eligibility for the discount and (2) the impact of load growth on the discount.

NRU is disappointed that BPA rejected NRU's ideas to adjust LDD eligibility requirements in post-2028 policy to incorporate utilities with relatively low-density systems that fall just outside the current eligibility requirements. We hope there may still be an opportunity to work with BPA to evaluate what would be possible to phase eligibility for the program to low-density utilities without changing the overall financial value of the program for all utilities.

BPA's Rates Analysis of NRU Proposal

NRU appreciates BPA's analysis of the rate impact of the NRU Proposal related to CHWM and system size. We also recognize that BPA's analysis includes different assumptions.

BPA assumed the acquisition cost of all augmentation to expand the Tier 1 system size to 7500 aMW would be \$63/MWh. NRU's analysis, however, assumed a portion of Tier 1 augmentation would be met with power generated at a lower rate. Specifically, NRU's analysis assumed a portion (158 aMW) of augmentation would be met with electricity from the Columbia Generating Station Uprate, which is forecast to cost roughly \$30.64/MWh. NRU's analysis priced the remainder of the electricity need to expand the Tier 1 system to 7500 aMW at \$63.12/MWh. As a result, it appears that roughly \$0.72 of the \$0.75/MW of the cost increase that BPA attributes to the NRU Proposal is the direct result of this disparate pricing assumption.

We appreciate BPA's additional analysis and believe it will aid in the conversation as BPA and its customers determine the best policy for the future.

Conclusion

Thank you for considering these comments. We look forward to continuing to work with you to develop durable and supportable post-2028 contracts for preference customers.

Sincerely,

/s/ Tashiana Wangler

Tashiana Wangler