

## **EWEB Provider of Choice Comments, January 2023**

EWEB appreciates the ongoing dialogue with BPA and other members of public power around future Provider of Choice contracts and policies. These comments characterize EWEB's views regarding a variety of topics related to allocation, augmentation, and development of Tier 2 products. These comments are not final positions. These comments are focused on the following:

1. Tiered Rates
2. Balance in Allocation Decisions
3. Augmentation, and
4. Tier 2 Considerations

### **1. Tiered Rates**

EWEB Supports the Tiered Rate Methodology and believes that development of robust options for both Tier 1 and Tier 2 products will be the most equitable and effective path forward. While tiered rates are complex and can present challenges for smaller, fast-growing utilities, EWEB believes that tiered rates are necessary to provide marginal price signals for load growth and to prevent local policies and decisions from impacting the broader public power community. Under a tiered rate construct, utilities still have the option create pooling arrangements to serve load, or have BPA serve load through Tier 2 products.

### **2. Balance in Allocation Decisions**

Any allocation or augmentation decisions must equitably balance the impacts and cost-shifts between different customer groups. EWEB believes that finding the balance point across system size, augmentation, and allocation will help to achieve broader Provider of Choice policy goals. These goals include, but are not limited to, creating planning certainty for both BPA and its customers, supporting needed resource development, treating customers equitably, and providing low, stable rates.

EWEB is a flat utility that doesn't benefit from a conservation or load growth credit. However, EWEB acknowledges the validity of other customers' interests and viewpoints related to load growth and conservation investments. We realize that accommodating these interests will reduce our potential future Contract High Water Mark, but we believe that these accommodations are appropriate and necessary. In return, we ask that other customer groups and BPA return us the same consideration, and work to develop solutions that do not substantially harm flat or declining utilities.

#### **2(A) Conservation**

We believe a conservation credit is important based on principle—commitment to the Regional Dialogue construct and intent for energy efficiency, treatment of energy efficiency as a valued resource, support for BPA's energy efficiency obligations, and need to incentivize future resource development. Policy should not create disincentives for customer investment of non-federal resources, both conservation and other. This includes treatment for system allocation for Provider of Choice, as well as policies that are in effect during Provider of Choice contract execution.

#### **2(B) Load Growth**

Although it moves away from strict Tiered Rates Methodology, EWEB believes that crediting some load growth under Regional Dialogue is necessary. Setting a line in the sand based on 2011 allocation is not reasonable, as it benefits utilities that grew earlier, and penalizes those that grew later. There are natural changes in load due to population and societal shifts that need to be recognized. However, a substantial inclusion of load growth undermines the purpose of tiered rates and shifts costs from utilities that have invested in conservation or other resources to those who have incentivized or not managed load growth.

EWEB is open to exploring two separate 2028 allocation methodologies for utilities that either have had slight to moderate growth above CHWM during RD contracts, or utilities whose net requirements have increased by fifty to over one hundred percent. This approach may help alleviate some of the tensions between meeting different utility's needs. Incorporating all growth, without distinction for scale, into 2028 CHWM may create challenges in finding a solution that does not carry substantial cost and/or risk for a large swath of public power.

### **2(C) Local Decisions Have Shaped Load Patterns**

Many participants in the 2028 process believe that load decreases along the I5 corridor have occurred primarily due to population shifts from the Westside to smaller communities East of the Cascades. However, this is not necessarily the case. It is important for BPA and other customers to recognize that there are other factors contributing to shifts in regional load. The following examples show how local decisions that EWEB and Eugene have made around conservation, development, and growth impact its load profile.

First, Eugene's population grew from roughly 156,000 to 176,000 between 2010 and 2020 <sup>1</sup> (about 1.1% annually), while its residential load only increased by .07% annually during this period. Although there are many factors that impact load growth relative to population, including density and housing type, this statistic makes it clear that a narrative around regional population shifts contributing to load growth is more nuanced than it first appears. EWEB's load has not grown as fast as its population partially due to local decisions and policies.

Additionally, consistent with Regional Dialogue contracts, EWEB has had policies in place that put the incremental cost of growth on new large industrial and commercial loads. This ratemaking, along with other local decisions, can make Eugene appear less competitive compared to some of its counterparts, and the city's industrial and commercial load patterns over the last decade reflect this. If public power moves towards melded rates or substantial augmentation, EWEB and others who have attempted to manage load growth beyond population growth would essentially be penalized and asked to carry the cost burden of growth that we did not create and from which we do not benefit.

### **3. Augmentation**

Some level of system augmentation is likely required to reach a compromise solution. If augmentation is pursued, it should be limited and implemented to minimize rate impacts as well as address BPA's resource challenges under dry hydro and extreme weather. Developing robust tier 2 products is preferable to open-ended or 'excessive' augmentation. As with allocation, the benefits of augmentation should be equitably distributed across public power customers. EWEB believes that a Tier 1 system size

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<sup>1</sup> [U.S. Census Bureau QuickFacts: Eugene city, Oregon](#)

of between 7200 and 7400 may represent a reasonable balance between the interests of growing and flat or declining utilities.

#### **4. Tier 2 Considerations**

Several customers have expressed interest in having access to Tier 2 power provided by the federal system at Tier 1 rates. EWEB is concerned that this proposal undermines the Tiered Rates Methodology and potentially exposes other customers to increased cost and risk. To the extent BPA and public power reach a balanced proposal on system size and allocation, the benefits of Tier 1 power and resulting surplus sales will be equitably distributed to all customers. Despite these concerns, EWEB is willing to explore BPA selling a limited amount of firm surplus Tier 1 power to AHWM utilities at a price near the Tier 1 rate. This change should only be considered as part of a broader package.

##### **4(A) Flexibility and Risk**

Customers are often interested in retaining flexibility to be able to respond to changes in the market or their own loads. However, this flexibility for one customer often creates risk or cost for BPA and other members of public power. EWEB believes customers may need to accept reduced levels of flexibility for both Tier 1 and Tier 2 product options in order to provide planning certainty for BPA and to avoid unintended avoid cost shifts or risk exposure. EWEB is open to exploring avenues to achieve optionality or flexibility if these can be shown to have minimal undesired impacts. There may also be avenues for customers to pay a premium for an 'option' on Tier 2 products that allows them increased flexibility. Consistent with its policy goals, BPA should be impartial to which product a customer chooses.

#### **Conclusion**

EWEB supports inclusion of some load growth and conservation credit in 2028 CHWM allocation. We recognize that many utilities have made large investments in energy efficiency that they could not 'choose' to dedicate to load, and others have experienced growth that is outside of their control and has created substantial rate pressure for their customers. We seek a balanced proposal that supports broader policy goals and takes into consideration the interests of flat/declining, load growth, and conserving utilities. To that end, EWEB supports the continued development of WPAG's proposal or similar. BPA's fallback proposal, with slight modifications, may also be a reasonable balance between interests.