



Energizing Life in Our Communities

January 27, 2023

Bonneville Power Administration
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Submitted via email: techforum@bpa.gov

RE: Snohomish PUD comments on BPA Post -2028 Carbon Policy Workshop held January 19, 2023

Snohomish PUD appreciates the opportunity to provide comments on the topics presented at the January 19th Provider of Choice workshop. These comments will specifically address BPA's discussion and proposed treatment of carbon-related issues in the Post-2028 framework.

Snohomish agrees with BPA's proposal for distribution of environmental attributes

As part of BPA's concept paper, BPA proposed to distribute environmental attributes based on actual MWhs purchased from BPA. Snohomish supports this approach as there is a direct link between MWhs purchased and environmental attributes received. Further, the proposal to keep environmental attributes associated with Tier 1, Tier 2, and NR separate is a reasonable measure and helps ensure that the customers investing in the resources of each rate pool receive the appropriate number of attributes.

BPA should not reduce the Post-2028 contract term to avoid intersection with 2045 clean energy standards

Snohomish does not believe that BPA should reduce the term of the Post-2028 contract to avoid discussion or consideration of state clean energy policies. As a Washington-based utility that is subject to several clean energy standards, Snohomish believes that the carbon content of BPA's system mix is an issue that must be addressed presently. Further, Snohomish believes that other states in the Northwest, local jurisdictions, and large customers of utilities in the region will likely adopt other clean energy standards during the term of the Post-2028 contract, requiring the contract to contain flexible provisions for utilities that may be subject to new regulatory requirements and customer expectations.

BPA should be engaging with customers now to devise pathways for customers to reach 100% clean with BPA as part of their fuel mix. Without a clear way to reduce or eliminate the component of BPA's fuel mix that is imputed carbon content, utilities may not have an ability to fully decarbonize their portfolios.

Snohomish reiterates that the carbon content of Tier 1 energy is a key priority in the Post-2028 contract

Snohomish appreciates the work that BPA has put into evaluating the customer Reallocation concept. This concept was proposed as a methodology for any customer with excess clean BPA Tier 1 to reallocate that clean energy to a customer with a regulatory or compliance need and receive proper value for that clean energy. This created a non-binding pathway among willing customers to reach 100% clean while realizing the value of clean energy to those without requirements through rates.

Snohomish understands that BPA has decided not to further explore this particular concept. Snohomish would like to better understand BPA's specific concept considerations, so that future proposals can include beneficial components, or exclude problematic aspects. The following questions and comments are intended to achieve a stronger understanding of BPA's rationale, as well as challenge certain stated positions for BPA to consider in future proposals.

Would the concept meet WA CETA requirements?

BPA states that the administrating agency in WA, the Department of Commerce (Commerce), signaled that the customer framework would comply with CETA. While this was not a final determination, BPA stated that there still existed a risk that the proposal would not comply with CETA. From a customer perspective, this risk is always present with any regulatory policy, especially when BPA is representing that "CETA could be amended or rules changed." It would be helpful in developing future proposals to know what level of certainty BPA requires to determine whether a proposal is viable, especially when the potential risk falls primarily on customers rather than BPA.

Does the proposal support broader regional efforts to reduce GHG emissions?

Snohomish would like further explanation from BPA as to how broad regional decarbonization factors into BPA's consideration of customer carbon proposals. When discussing the environmental attributes of the federal system, specific to the Reallocation proposal at its core, the Reallocation is similar to one utility contracting with another through a Power Purchase Agreement. A WA utility entering into a PPA with any existing clean resource does not "decarbonize" or reduce GHG emissions regionally as the clean energy resource already exists, but does decarbonize that utility's portfolio for serving its customers. This aligns with current clean energy policy goals, as a PPA for energy and environmental attributes is fully compliant with CETA (and most other existing clean energy standards).

Snohomish fully supports regional efforts to reduce GHG and decarbonize the electric grid, including reducing the carbon content of the federal system. However, Snohomish does not believe that this consideration is mutually exclusive with customer proposals regarding existing federal system generation. Any proposal attempting to address the existing federal system is, by default, only dealing with existing resources and will not achieve "new" clean energy production. Rather, those proposals would be attempting to recognize and assign value of existing clean energy produced by BPA that is not being used for regional decarbonization policies.

If BPA continues to consider this component of future customer proposals, it will be important to understand how this standard would be applied – will BPA require any customer proposal to actually

reduce GHG emissions on the grid? Will customers be required to demonstrate some level of decarbonization or GHG reduction?

Legal Considerations

Snohomish appreciates BPA's consideration of the Reallocation proposal from a legal perspective. Snohomish also understands that BPA continues its position that it can provide only "one system mix." However, Snohomish also notes that BPA proposes to separate environmental attributes between Tier 1 and Tier 2 customers. When considering future proposals, it would be helpful to understand the difference between environmental attribute allocation between Tier 1 and Tier 2, and environmental attribute allocation within rate pools, and whether there is a separate statutory support for the former.

BPA's Credibility and Double Counting

BPA stated that a reallocation could negatively impact BPA's credibility as a provider of thorough and transparent fuel mix and emission data. Snohomish is curious how this could be true; the customer proposal does not change BPA's Tier 1 fuel mix or emissions data, only which customers receive which portion of that mix. Being generation and allocation neutral, no new environmental attributes are being created. As customers consider future proposals, it would be helpful to better understand how BPA approaches potential accounting for environmental attributes and what safeguards customers could propose to better ensure that BPA continues to be viewed as a transparent and accurate reporter of federal system carbon content.

Without carbon-free alternatives, customers may be limited in product choice in Post-2028

Snohomish wants to reiterate that without definitive action by BPA in the Post-2028 contract, there is no pathway for full requirements customers (Block-only or Load Following) to reach 100% carbon free. BPA's "one system mix" policy regarding Tier 1 energy automatically precludes those customers from reaching the 100% clean standard. Customers purchasing the Slice product can, with some effort and without guarantee, reach 100% clean energy to load over a multi-year period.

This fact alone could automatically preclude customers from choosing what could otherwise be the best fit for their energy and capacity needs from BPA. One of the overarching policy goals of Post-2028 is to create products that customers can freely choose between. Inaction on federal system carbon policy undermines this principle as customers would be forced to choose one product over another simply due to their state compliance requirements.

Snohomish supports BPA efforts to explore acquiring new clean resources in lieu of market purchases. However, until all BPA market purchases are replaced by clean resources, Snohomish urges BPA to work with customers to think beyond exchanging RECs as the pathway to a zero carbon product and develop creative solutions to help customers meet their carbon-free requirements or internal policy objectives. Such solutions could leverage the existing clean generation of the federal system to the benefit of all customers, not just those with state clean energy policies.

Snohomish encourages BPA to organize a carbon policy workgroup within the Post-2028 framework that can work on innovative clean energy solutions

In order to facilitate further discussion on carbon issues, Snohomish recommends BPA organize a new working group within the Post-2028 framework, comprised of both utility and BPA staff members, that is primarily focused on finding solutions to customer clean energy needs in the Post-2028 contract. This working group would serve as a springboard for ideas that could be considered by the larger Post-2028 group, while also receiving real-time feedback from BPA staff regarding the viability of ideas. This group could help avoid the pitfalls of proposals developed strictly by customers that may not be considered actionable by BPA. It could also spur innovative thinking among all parties as we better understand the needs and capabilities of our respective entities.

Snohomish appreciates the opportunity to provide comments back to BPA and is more than happy to continue the dialogue on carbon issues or answer any questions regarding these specific comments.

Sincerely,



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