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Submitted via email: post2028@bpa.gov

Comments on January 2023 Provider of Choice Workshops

Thank you for the opportunity to comment on BPA's Provider of Choice (POC) Workshops held in January. We thank BPA for developing a new POC proposal and tool that takes into account some of the feedback voiced by parties. We also appreciate that BPA's workshops offer a platform for parties to voice their positions. However, we are disappointed in BPA's lack of receptiveness to parties' concerns for a carbon solution and consideration of all self-funded conservation. In addition, City Light would like to express our support for BPA's proposal for Transfer Service as described in its July 2022 POC Concept Paper and offer some concerns we have about recent Peak Net Requirements Task Force discussions and the idea of using Tier 1 power to serve Tier 2 at cost.

CARBON TREATMENT

City Light would like to reiterate that it is vitally important that BPA offer a carbon-free product that is compliant with all relevant state regulations. City Light is disappointed that BPA has rejected the other parties' proposal for carbon reallocation, which, per BPA's own discussions with the Washington Department of Commerce, likely would have allowed for the creation of a carbon-free product. BPA justified rejecting the carbon reallocation proposal by stating that customers can still achieve carbon-free power by trading Renewable Energy Credits (RECs) amongst themselves. City Light believes the option to trade unbundled RECs is a short-term solution that will be unworkable under Clean Energy Transformation Act (CETA) regulations in the future. Since some form of carbon-free product is necessary for a significant sector of BPA's preference customers, City Light requests that BPA collaborate with customers to develop a viable alternative prior to releasing the new contract policy.

City Light urges BPA to consider including flexibility for customers to switch or opt out of BPA if products become incompatible with state and local regulations as these evolve over the POC contract term. For example, if BPA does not offer a carbon-free product and the CETA rules stand as they currently exist, it will be illegal for Washington utilities to purchase BPA power products beginning in 2045. If BPA's Provider of Choice contracts extend past December 31, 2044, Washington utilities will need an off-ramp process to reach zero BPA power purchases by December 31, 2044.

Additionally, a concern raised during the workshop is the potential for regulatory changes that could affect the eligibility of BPA's products under clean energy laws with which preference customers must

comply during the period of the contract. BPA's contract must have provisions to give customers flexibility to elect to ramp up or ramp down their purchases of BPA power in case of such regulatory changes.

City Light urges BPA to offer continued and expanded support to customers for meeting clean energy standards and decarbonization commitments as the situation evolves over the term of the POC contracts. While BPA stated that it will support customers with (1) accurate accounting for purposes of audits; (2) conveying environmental attributes consistent with power purchases; and (3) considering cost-effective opportunities to achieve an even cleaner federal system, Northwest Energy Coalition (NVEC) and other parties pointed out that these services represent the minimum of what BPA should do. Changes to clean energy standards, implementation, and technologies will create changing requirements for BPA's accounting and operational standards to support customers. City Light looks forward to working closely with BPA and other stakeholders on continuing the discussion on how BPA can best support customer decarbonization efforts.

UNREPORTED SELF-FUNDED CONSERVATION

City Light urges BPA to take a closer look at which conservation achievements are recognized for credit. BPA's current POC proposal recognizes that conservation reduces system size needs for all BPA preference customers. This proposal is well considered and reflects responsiveness to past comments – particularly those about the importance of sending the right messages about, and incentives for future conservation investment. Yet BPA's current POC proposal gives partial credit only for self-funded conservation reported to BPA, when self-funded conservation that is unreported to BPA also reduces system size needs for preference customers. City Light is unique among most of its peers in that it has substantial achievements in energy efficiency not recognized for the proposed conservation allowance. Furthermore, it is important to also recognize that these achievements have been duly audited by the Washington State Auditor's Office. Having passed that rigorous standard, it should be objectively clear that this conservation represents very real achievements that have had a positive impact on regional energy efficiency achievement and has decreased BPA's obligation to serve preference loads. City Light urges BPA to accurately account for the benefits that self-funded conservation contributes by providing an additional conservation credit for any verifiable, self-funded, unreported conservation, and believes strongly that these substantial and valuable investments need to be recognized in order to continue to send the right signals about the importance of investing in cost effective energy efficiency.

TRANSFER SERVICE FOR NON-FEDERAL POWER

City Light supports BPA's proposal for non-federal Transfer Service as described in Section 6.4 of BPA's July 2022 POC Concept Paper. We appreciate BPA's efforts to maintain the competitiveness of the PF Tier 1 product and believe charging the cost of transfer service for non-federal power to the individual transfer customer is an important element of that effort. Further, we feel BPA's proposed treatment would be more comparable to the treatment of costs of delivering non-federal power to non-Transfer Service customers. City Light and many other partial requirements customers have long paid all costs associated with the integration, shaping and transmission of power from their remotely owned and contracted non-federal resources to their load centers.

PEAK NET REQUIREMENTS

City Light continues to be concerned that BPA's calculation of Peak Net Requirements (PNR) will disproportionately impact the Block product. The methodology discussed in recent PNR meetings that proposes to base PNR on half of a utility's Western Resource Adequacy Program (WRAP) Planning Reserve Margin (PRM) appears to result in adverse outcomes for Slice and Block customers. In our view this approach is inconsistent with WRAP's regional resource adequacy methodology, as well as prudent utility practices, and disadvantages BPA's planning products. City Light feels much more thoughtful technical work will be required to discover an equitable approach to the application of PNR.

SERVING TIER 2 WITH SURPLUS TIER 1

City Light appreciates BPA's continued support for separation between Tier 1 and Tier 2 rate costs. Several Above High-Water Mark (AHWM) utilities have proposed allocating surplus generation from the federal system to AHWM load at or close to the Tier 1 price. City Light believes that this proposal runs contrary to the marginal cost allocation of Tier 1 and 2 power, and so should not be adopted. City Light is also concerned about the cost impacts of the proposal. The proposal would price a portion of Tier 2 power at or close to Tier 1 rates, which would reduce revenue to BPA. This reduction in revenue would need to be recovered elsewhere, which could create a cost shift that is borne by other customers. The very idea of this is in direct conflict with the purpose and intent of a Tiered Rate Methodology, which idea has previously been the consensus preferred approach expressed by public power. City Light is open to rate design discussions and compromise on Tier 2 rates but the current proposal to price Tier 2 power at or close to the Tier 1 rates may be a step too far in the potential risk of cost shifts to other customers.

Thank you for the opportunity to comment. We look forward to continuing the discussion on carbon-free Tier 1 product alternatives, recognition of energy conservation achievements, Transfer Service, Peak Net Requirements, Tier 2 service options and other important topics in BPA's upcoming Provider of Choice workshops.

cc:

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