



February 24, 2023

Submitted via email.

Kim Thompson
Bonneville Power Administration
Portland, OR 97232

Dear Kim:

Thank you for this opportunity to submit the following Proposal for Transfer Service for Non-Federal Resources. This Proposal should be considered supplemental to the comments provided in response to the February 9, 2023, Provider of Choice ("PoC") Workshop materials and discussion, and is submitted for your consideration by Northwest Requirements Utilities ("NRU"), PNGC Power ("PNGC"), and Idaho Falls Power ("IFP"), which will be referred to individually or collectively as "Parties" going forward.

NRU represents the interests of its 57 member utilities located in 7 states throughout the region, all of which are BPA Load Following and Network Transmission customers, and that together represent roughly 30% of BPA's total preference load. PNGC represents the interests of its 16 member utilities located in 7 states and 8 balancing authorities across the region. Idaho Falls Power is a Slice/Block customer, Transfer Service customer, hydro owner/operator, wind owner/operator, and is currently considering development of dispatchable peaking generation and advanced nuclear generation.

NRU has 37 members utilizing Transfer Service provided by BPA, including three members located in southeastern Idaho that are identified as Southeast Idaho Load Service (SILS) customers. Similarly, PNGC has 11 members utilizing Transfer Service provided by BPA.

Given the above, the Parties and the interests they represent are especially focused on ensuring that the PoC contract treats transfer customers equitably, with consistent treatment for serving load with both federal and non-federal power. Additionally, the Parties are strongly supportive of policies that are intended and designed to promote preference customer choice with respect to above high water mark ("AHWM") load service, as well as policies designed to ensure non-federal AHWM alternatives remain viable into the next contract period.

Throughout the PoC process, when customers consider a proposed policy position or concept unacceptable BPA has requested specific proposed alternatives whenever possible. With that in mind, the Parties initially sought the opportunity to present our Proposal to the full PoC audience during an upcoming Workshop. However, we understand that the compressed timeline available to resolve remaining issues makes that impossible, and instead submit the following Proposal for your careful consideration and request the opportunity to engage with BPA staff and executives at the earliest opportunity.

Transfer Service for Non-Federal Resources

1. Transfer Service – Background

Foundationally, the Parties believe it is essential to first highlight the value of Transfer Service, as detailed most recently by the 2021 NRU Transfer Study. In particular, the Study found that 83 of BPA's 134 customers with long-term power sales agreements had at least one transfer point of delivery, and that 55 customers were served solely by Transfer Service. Further, the study estimated that, since the program's creation, BPA and its customers have avoided nearly \$3.7 billion in total capital costs, and that customers continue to avoid costs from operations, maintenance, interest, and amortization in excess of \$350 million annually.

a. Transfer Service for Non-Federal Resources – Bonneville's Proposed Approach

During the February 9, 2023, PoC Workshop, BPA restated its position with respect to non-federal Transfer Service. Specifically, Bonneville is proposing to return to the pre-Regional Dialogue policy of not rolling the cost of non-federal Transfer Service into the PF rate, and instead to pass the cost of transfer service for non-federal power through to the individual transfer customer.

For the many reasons that the Parties and others have noted in prior comments, BPA's proposed approach is untenable. Further, the Parties are disappointed by BPA's attempt to continue to justify its position considering the Provider of Choice Goals and Principles established in May 2022, which are in direct contradiction with BPA's proposed treatment of non-federal Transfer Service. This is especially true of the third and fifth goals, which read respectively as "Product and service offerings are equitable", and "Contracts offer customers flexibility to invest in and integrate non-federal resources." In both cases, maintaining the current treatment, including the maximum caps per fiscal year for financial support for Transfer Service of non-federal resources, would be far more consistent with the established Goals and Principles than BPA's proposed approach.

Moreover, Parties strongly disagree with BPA's assertion that continuing to roll in transfer costs for nonfederal AHWM load service would "blunt Tiered Rate effectiveness in a future Provider of

Choice policy.” Instead, we would offer BPA’s own justification in support of our proposed policy, highlighting one of the principles BPA relied on in deciding to offer Transfer Service for non-federal power deliveries; specifically, the intent to “not use transfer service as leverage to induce customers to buy Tier 2 power from BPA...” Instead, BPA’s proposed approach would severely limit customer choice with respect to AHWL load service, while at the same time frustrating BPA’s principle of helping to facilitate regional resource development. Finally, in support of our position, and in contrast to BPA’s proposed approach, we offer the following excerpt from the 2008 Long-Term Regional Dialogue Administrator’s Record of Decision:

“BPA intends that a 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. Transfer service should only be one factor in a customer’s resource acquisition decision. Without some level of commitment from BPA, the lack of any transfer service assistance from BPA will often be the deciding factor for most customers.”

2. Proposal – Transfer Service for Non-Federal Resources

Starting with the 2002 Final Power Rates ROD, BPA recognized the value and importance of the issue in its decision to obtain Transfer Service for non-federal power and roll the cost into the Network Transmission rate. At the time, BPA’s reasoning for its commitment to obtain Transfer Service for non-federal power was based on the policy goal of putting Transfer Service customers and directly connected customers on equal footing and to promote competition in power markets.

Today, the Parties are recommending that BPA agree to support non-federal power deliveries if and when such power displaces BPA Tier 2 rate purchases. To accomplish this, our Proposal consists of the following elements:

- Consistent with BPA’s stated goal that similarly situated customers be treated consistently, we propose the formal adoption of a principle of “equitable treatment” for the PoC policy process.
- The implementation of annual and cumulative cost controls that include both dollar and MW caps for Transfer Service for non-federal resources, designed to insulate other power customers from transfer customers’ resource decisions.
- An additional cost control in the form of a counterfactual analysis designed to ensure BPA is never financially responsible for more than it would be obligated to expend under federal service at the Tier 2 rate.
- A number of additional commitments from BPA intended to provide additional assurance to transfer customers for the term of the PoC contract.

a. The Principle of “Equivalent Treatment”

The Parties recommend that BPA formally adopt a principle of “equivalent treatment” with respect to Transfer Service for Non-Federal Resources. Specifically, while continuing to meet the

spirit of “comparability” BPA should work to develop non-federal Transfer Service delivery terms and conditions intended to ensure that transfer customers are not placing unreasonable costs on BPA, applying the principle of “equivalent treatment” as if customers were directly connected, including:

- Direct assignment of the cost of transmission necessary to bring a non-federal resource to the BAA in which the transfer customer is located, with some exceptions.
 - Require the “grandfathering” of existing multiple-leg arrangements in place for dedicated resources today.
 - Further limited exceptions to the above principle would include COI service to Nevada, as well as those SE Idaho, SW Wyoming, and other preference customers exposed to multiple transmission legs today due to circumstances beyond their control (e.g., various asset-swaps and balancing authority changes, line removal due to implementation of the B2H Transfer Service Plan, etc.).

b. Cost Controls and Limitations

The Parties ask that BPA and preference customers work collaboratively to establish annual and cumulative limitations to BPA’s non-federal Transfer cost obligations, designed to be responsive to those customers concerned with the potential for increased exposure during the term of the PoC contract. We propose that these cost controls take two independent and complementary forms – annual and cumulative dollar and MW caps, and a counterfactual analysis.

b.1. Cost Controls – Dollar and MW Caps

The Parties propose annual and cumulative dollar and MW caps for non-federal Transfer Service. These caps should be designed to limit BPA’s obligation to provide transfer service for non-federal power, using projections for transfer load over the term of the PoC contract in a manner similar to that which was established in Regional Dialogue.

b.2. Cost Controls – Counterfactual Analysis

With the principle of “equivalent treatment” in mind, the Parties recommend an additional cost control using the counterfactual of federal service. Here, BPA is obligated to provide financial support for non-federal deliveries in a dollar amount equivalent to what BPA would have expended on Transfer Service for the delivery of federal power at the Tier 2 rate to the customer.

- Using a counterfactual as an added cost control will have the dual benefit of providing a clear price signal to Transfer Service customers contemplating the acquisition of a non-federal resource, while further insulating BPA’s other power customers from transfer customers’ resource decisions.
- As a result of this limitation, BPA would be obligated to pay either what BPA would have paid for delivery of federal power at the Tier 2 rate, or the cost of the transmission procured by the transfer customer, whichever is less.

While Parties' proposed limitations are designed to ensure BPA is never obligated to pay more than it would otherwise pay for federal delivery at the Tier 2 rate, it is worth noting that BPA's current proposal is certain to result in *increased* costs for non-federal Transfer Service given the price signal that federal Transfer Service at the Tier 2 rate would provide. Put another way, BPA's proposal creates an economic incentive for transfer customers to choose federal service over non-federal resource development and integration. Further, while Parties' Proposal is intended to ensure that transfer customers' considerations of federal or non-federal AHWMM service is economically neutral, BPA's proposed approach both creates an unnecessary economic hurdle for regional resource development, and actively harms those transfer customers that did develop local generating resources during the term of the Regional Dialogue contract.

c. Additional Commitments

As part of this Proposal for Transfer Service for Non-Federal Resources, the Parties seek the following commitments from BPA:

- When new service is required, and the type, size, location, ownership, and method of cost recovery may be at issue, both BPA Power, as acquirer of Transfer Service, and BPA Transmission commit to work together with the customer and the transfer provider to determine the best over-all plan of service, one that is consistent with the principle of "equivalent treatment" and analogous to being directly connected to BPA system, where practical, but which also represents a fair compromise when that analogy breaks down.
- BPA's commitment to document communication standards (or protocols) and take a proactive role in working with third-party transmission providers during the planning of local transmission facilities, new metering or changes to existing metering, and to allow transferee participation.
 - BPA commits to further encourage, and facilitate when appropriate, the implementation of Interconnection Agreements between Transfer Providers and customers to enable communications directly between the two parties.
 - BPA's commitment to apply the technical expertise needed to appropriately evaluate and pursue the implementation of the best plans of service on behalf of transfer customers.
- Continuation of the requirement that non-federal Transfer Service is used solely for service to requirements load.
 - In this context, "requirements" means BPA's obligation to provide non-Federal transfer service is limited to meet the Transfer Service customer's AHWMM requirement loads and, notwithstanding BPA's proposed 5MW aggregate exemption, only to the extent that non-federal resources do not displace Tier 1 purchases.
- Conversion of "New" Transfer PODs to "Existing" Transfer PODs with the Provider of Choice contract.

3. Conclusion

NRU, PNGC, and IFP welcome continued, constructive discussion concerning the design of Transfer Service post-2028. Further, we would like to reiterate our appreciation for BPA's proposal to continue to provide Transfer Service for federal power deliveries. However, we strongly believe that BPA's proposed approach to Transfer Service for non-federal resources is not in the best interest of transfer customers, BPA preference customers, or the region as a whole.

We continue to appreciate the public process and open dialogue championed by BPA throughout the Provider of Choice process and look forward to the opportunity to engage with BPA staff and executives to further discuss the issue of Transfer Service for Non-Federal Resources. Thank you once again for your time and attention.

Sincerely,

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