



NRU's Proposals for

**Contract High Water Mark and System Size**

and

**Transfer Service for Non-Federal Resources**

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# Definition of “Equitable”

- Definition from Merriam-Webster: Dealing fairly and equally with all concerned.
- NRU has two particular issue areas where we’ve proposed a different approach than BPA staff's current leanings:
  - (1) Adjustments to Contract High Water Mark and Tier 1 System Size; and
  - (2) Transfer Service for Non-Federal Resources
- We believe NRU’s proposed approach creates a more fair and equitable approach that is responsive to the needs of preference customers. We consider that we are moving from one tiered rates construct to a new tiered rates construct and try to get to a fair starting point for all utilities.

# Current Support for NRU Proposal

Is one indicator of an equitable outcome how much support there is from preference customers?

- If so, associations and individual utilities representing 72 preference customers have indicated support for NRU's policy package.
- Half of the utilities supporting the proposal are growing and half have not grown or declined during Regional Dialogue.

We recognize this isn't all preference customers, but it indicates that approximately half of preference customers support and prefer a different approach than proposed by BPA.

# BPA's Proposal (Jan 2023)

<b>Sum of initial CHWMs for post-2028 contracts</b> <ul style="list-style-type: none"><li>• Model updates create slightly different results than when released in January</li><li>• A few resources initially listed in the “removal” column are no longer listed, changing the totals for that column, the headroom adjustment column, and the overall system size results</li></ul>	<b>6902 aMW</b>
Current Tier 1 Federal Output	7063 aMW
Difference between sum of Initial CHWMs and current Tier 1 Federal Output	161 aMW
Above-High Water Mark Load Total	343 aMW

## NRU's questions:

- Are the above results equitable?
- How can we best use the 161 aMW difference for the benefit of all preference customers?
- If we establish a system size greater than the current Tier 1 Federal Output, what is the appropriate number, and how do we share in the benefits and risks of augmentation?

# NRU's Proposal (Feb 2023)

- NRU's proposal addressing CHWM and Tier 1 System Size includes the following approaches, building on BPA's proposal:

Proposal	Adjustment Impact	Incremental Impact to Tier 1 System Size (added to BPA's Proposal of 6902 aMW)
100% of Regional Dialogue investments in new renewable and PURPA resources	~30 aMW	6932 aMW
50% Load growth adjustment	~126 aMW	7058 aMW
Certain Returning CFCT Loads by 2033	Unknown	?
<i>Pro Rata</i> Augmentation (up-to system size of 7500 aMW)	~442 aMW	7500 aMW

# NRU's Policy Intent

The approach supported by the NRU Board of Directors creates more equitable and beneficial outcomes for our differently situated member utilities – and we believe for all preference utilities.

- All utilities benefit from access to a larger system to meet current and future load growth, preserving the value of preference and maximizing the benefits of the federal system.
- Utilities with renewable/PURPA resources from Regional Dialogue are not penalized with reduced access Tier 1 rates for these investments.
- Utilities with single large lost loads from Regional Dialogue that are integral to their communities have a chance of returning by 2033 and gaining access to Tier 1 rates.
- The policy package also includes proposals addressing other priorities such as carbon, transfer, low density discount, and irrigation discount.

# More Alignment Possible?

**Adjustments for investments in self/utility-funded conservation and renewable/PURPA investments during Regional Dialogue, increasing BPA's proposal by ~30 aMW.**

- There are preference customers outside of NRU interested in similar approaches.

**Adjustments to recognize economic impacts for single large CFCT loads lost during Regional Dialogue that return by 2033.**

- There are preference customers outside of NRU interested in similar approaches.

**Adjustments for load growth, increasing BPA's proposal by 126 aMW.**

- NRU's proposal would reduce A-HWM exposure and move closer to BPA's original proposed approach, with an aggregate of 90 aMW of A-HWML and 365 aMW of headroom for preference customers.

**Expand Tier 1 to meet needs now and into the future, shared pro rata to 7500 aMW.**

- There are preference customers outside of NRU that have expressed interest in expansion applied *pro rata*.

# Focus on Load Growth Credit

## **We noticed the following outcomes for growing utilities in various BPA proposals:**

- BPA's initial proposal based on 2026 loads and included in BPA's October model left 42 aMW of forecast Above-High Water Mark Load.
- BPA's January proposal based on 2023 loads left 343 aMW of Above-High Water Mark Load.
- Why the change in approach from BPA? Can we do better for growing utilities?

## **We understand that some preference utilities don't want to see their rates increased to pay for the load growth of other utilities.**

- The NRU Proposal recognizes that concern and has been very careful in our proposal to take into account the interests of non-growing utilities.
- Half of the supporters of the NRU Proposal are non-growing utilities. We understand their support stems from their interest in ensuring access to power sold at Tier 1 rates for future growth.
- It is only with all the elements of the NRU Proposal together does the package truly address the needs and different situations of a broad swath of preference utilities.
- The NRU Proposal also carefully considers that some resource acquisition appears available to BPA at little or no increase to the Tier 1 rate. This is even more likely to be the case with currently available Inflation Reduction Act incentives.

## **We understand some preference utilities want a larger adjustment for conservation if a larger adjustment for load growth is provided.**

- The NRU Proposal recommends equitable treatment for conservation and load growth.
- The utilities that have performed the most conservation and would benefit from a boosted conservation credit instead receive that benefit through augmentation applied *pro rata*. In most cases, this results in more Tier 1 access than would have been realized solely through a larger conservation credit.



# Focus on Tier 1 System Expansion

We understand that some preference utilities have indicated any expansion of the Tier 1 system must be shared with utilities in a manner proportionate to their total share of the system (i.e., *pro rata*).

We believe the NRU Proposal aligns with that perspective, proposing to expand beyond the current system size and apply the expansion *pro rata* up to a 7500 aMW system size.

- Recognizing other system size adjustments are unknown, there is a potential for ~400 aMW of augmentation to be applied *pro rata* under the NRU Proposal.

# NRU's Transfer Service Proposal

- In response to BPA's Feb 9<sup>th</sup> non-federal Transfer Service policy proposal, NRU (in coordination with PNGC and Idaho Falls Power), made the following recommendations:
  - Adoption of the principle of “equitable treatment” for the entire Provider of Choice policy process.
    - For the purposes of Transfer Service for non-federal resources, this would mean equitable treatment of Transfer and direct-connect customers.
  - Inclusion of both annual and cumulative cost controls for the Transfer Service for non-federal resources.
  - Additional cost controls in the form of a “counterfactual analysis” intended to ensure BPA is never financially responsible for more than it would be obligated to pay under federal service at the Tier 2 rate.

# NRU's Transfer Service Proposal

- On March 9<sup>th</sup>, BPA responded with an updated proposal, recommending inclusion of non-federal transfer associated only with “physical, local resources.”
- BPA provided several justifications for the update, including:
  - Congestion alleviation;
  - More efficient use of existing transmission;
  - Resource adequacy (i.e., WRAP) considerations; and
  - Facilitating customer development of resources.

# NRU's Transfer Service Proposal

- BPA further claimed that, during the Regional Dialogue Contract, paying for Transfer Service for non-federal resources *“was intended to facilitate customer-development of physical, non-federal generating resources...”*
- As we'd noted during the meeting, this is inaccurate. While BPA was clear in its policy intent not to preclude the development of non-federal resources, instead, according to the 2008 RD 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.”*

# NRU's Transfer Service Proposal

## Updated Proposal:

- NRU asks that BPA show that same commitment today – equitable treatment, in this case via a policy of economic neutrality between federal service at the Tier 2 rate and Transfer Service for non-federal resources.
- Equitable treatment also means continuing to roll in the costs of the last leg of transmission for non-federal Transfer load service, as well as direct assignment of transmission costs associated with delivery of non-federal resources to the BAA in which the load is located.
- With respect to differentiating between “non-federal” and “physical, local” resources, NRU believes that BPA’s proposed inclusion of only “physical, local resources” is untenable, and discriminates geographically against transfer customer loads, creating wildly disparate and unnecessary customer impacts.
- NRU shares BPA’s interest in expanded customer development of physical, local resources. However, we recommend BPA consider alternatives to achieving this goal designed to directly incentivize the desired outcome, such as enhancing the Short-Distance Discount, in lieu of penalizing the entire category of Transfer Service customers with their proposed policy approach.
- Finally, NRU continues to support reasonable cost controls intended to insulate other customers from Transfer customers’ resource decisions and welcomes input from all of public power on this issue.

# Thank you!