Northwest Requirements Utilities

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Submitted via email to post2028@bpa.gov

Northwest Requirements Utilities (NRU) submits these comments in response to Bonneville Power Administration's (BPA) Provider of Choice workshops October 26, 2022, reviewing a number of policy questions applicable to the post-2028 contracts.

As you know, NRU represents the interests of 56 Load-Following customers located in 7 states across the region that hold Network Transmission contracts with BPA and hold power contracts for almost 30% of BPA's Tier 1 load. Of primary importance to NRU members is BPA's ability to offer an affordable and reliable power supply and transmission that maximizes the value of the Federal system for the benefit of preference customers.

Carbon

NRU supports BPA's consideration of several key elements in the Public Power Concept Paper, including analyzing the cost-effectiveness of making balancing purchases that are sourced from clean resources, aligning REC conveyance to customers with state requirements, and considering a reallocation proposal that could have benefits for customers with an interest to claim a 100% clean power product and customers without that interest that could benefit from environmental reallocation. We look forward to continuing to work with BPA in consideration of these policy approaches.

Billing Credits:

NRU anticipates that under a scenario in which the Tier 1 system size is grown in the post-2028 contracts, billing credits may provide a cost-effective approach that provides flexibility for BPA and its customers. NRU agrees with workshop discussions that the first step is to determine a Tier 1 system size. Assuming the Tier 1 system size is larger than its current size, NRU supports further conversations regarding the impact and appropriate implementation of billing credits for customer investments in generating resources to offset a requirement for BPA to acquire resources.

Regional Dialogue Augmentation:

BPA questioned whether three Regional Dialogue policies for adjusting the Tier 1 system size and Contract High Water Marks (CHWM) should be carried over into post-2028. These policies to increase the Tier 1 system size: (1) for newly formed public utilities placing net requirements on BPA; (2) load growth for existing and new tribal utilities served by BPA; and (3) to serve the U.S. Department of Energy Richland's vitrification plant's planned load. Prior to developing a position on the question related to whether BPA should carryover the categories that would trigger adjustments to the Tier 1 system, NRU would be interested in understanding the potential impact of various approaches, if that can be forecasted.

BPA also questioned whether augmentation identified during the Regional Dialogue contracts equaling approximately 71 aMW, if not utilized as the "minimum" amount of augmentation post-2028, would be eliminated and effectively reduce the Tier 1 size. NRU believes it is appropriate to incorporate the 71 aMW in the assumed "minimum" Tier 1 system size under post-2028 contracts.

CHWM calculation policy consideration #1 / Total Retail Load:
During the workshop there was some discussion regarding whether the timeline for calculating CHWMs for individual utilities could be shortened to provide customers with planning certainty sooner. To the extent possible, NRU encourages BPA to consider any additional efficiencies that could streamline the 2027 calculation period to provide as much time as possible for utilities that might have Above-High Water Mark Load to procure the resources they will need.

Additionally, NRU would like to highlight the importance of ensuring Tier 2 products and pricing provide customers with the power supply choices they need, as well as ensuring policies provide support for utilities investing in nonfederal resources.

CHWM calculation policy consideration #2 / Nonfederal Resource Treatment:
NRU is interested in considering both how the net requirements and CHWM calculations should be developed to ensure a fair outcome for preference customers and the federal system. First, related to determining dedicated resources, NRU encourages BPA to consider whether it would be warranted to establish parity in measuring the firm output of the federal system and nonfederal existing dedicated resources, especially considering recent updates to measure the firm output of the federal system that could be considered.

Second, related to the CHWM calculation, NRU has advocated for a "new renewables exception" applied to the post-2028 contract that recognizes investments in new, specified resources during the Regional Dialogue contracts by crediting those utilities' CHWMs. During the Regional Dialogue contracts, some utilities made investments in non-federal renewable resources. In the BPA Concept Paper, it was proposed that "any non-federal resource dedicated to load as of September 30, 2026 would be applied to serve a customer's load and reduce its CHWM." (Provider of Choice Concept Paper, July 2022, page 23)

BPA's proposal in the Concept Paper would result in penalizing utilities for making investments in non-federal resources, which have provided a benefit for all preference customers by reducing Tier 1 requirements on the federal system. Additionally, the proposed approach would create a disincentive through September 30, 2026 for any additional new nonfederal resource investments and a potential disincentive if the policy were to create precedent for the next contracts for customers to choose to use power from renewable resources to serve their Above High Water Mark Load. Rather than penalizing utilities by reducing their CHWM for the investments made in new renewable resources during the Regional Dialogue contracts, we are proposing that these investments should be neutralized for purposes of determining a utility's entitlement to Tier 1 power by providing a credit to the investing utility's CHWM.

Additionally, NRU encourages BPA to establish a more expanded timeframe for nonfederal resources dedicated to load to consider resource loss that may occur close to the 2026 measurement year. BPA could establish an initial CHWM based on the resource being operational and allow resource loss declarations occurring through 2030 to remove those lost resources from a utility's CHWM within that period.

CHWM Policy Consideration #3 / Conservation Treatment:
At the workshop, BPA questioned how it should treat conservation, asking the following questions: (1) should it incent investments between now and the CHWM calculation; (2) should it credit customers who invested in conservation to offset Tier 1 loads; (3) should it credit customers who invested in conservation to offset potential load growth into Tier 2; (4) should conservation be constrained to those achievements that have been reported to BPA in accordance with Energy Conservation Agreements?

While NRU has not established a preferred approach to recognizing conservation achievements in utilities' CHWM calculations, we believe a forthcoming cost analysis will inform the optimal Tier 1 system size and the level of conservation that is possible to recognize in the Tier 1 system allocation.

In the workshop, BPA posed a question of recognizing conservation achievements based on the intent of the utility making the investments. Rather than looking at the intent, which may be difficult to discern and apply, NRU recommends looking at the effect and impact of the conservation achievements on the federal system operations. NRU recognizes that utilities making investments in conservation may experience a reduction in their load, which has a value to the federal system due to a reduction in requirements placed on the system as a "system relief mechanism." It may be that the recognition for those investments could be through the CHWM calculation or there could be other ways of recognizing those achievements that could be considered. Considering the effect of conservation achievements on the federal system and the value to the system as a whole could be a nuanced perspective that could have value, especially if the policy reason for BPA to recognize conservation achievements is due to the value of the investment for the federal system.

Regardless of the ultimate approach taken on conservation, we recommend using conservation achievements reported to BPA in accordance with Energy Conservation Agreements as the basis for the approach.

Policy Consideration #4 / New and Returning Utility Treatment:
At the workshop, BPA asked how new or returning public utilities should be treated for the purpose of a CHWM. NRU recommends that BPA's approach to assigning a CHWM for entirely new utilities should align with statutory requirements guiding the calculation of net requirements. For returning utilities, there may be some value in considering the CHWM that the utility may have been allocated had it been on the system and, to the extent CHWMs are adjusted based on certain elements, also considering how those adjustments would apply to the returning utility.

Policy Consideration #5 / Pro Rata Scaling:
Regarding whether there are alternate approaches to pro rata scaling under a constrained Tier 1 system to consider, NRU hopes the forthcoming cost analysis by BPA will show that the Tier 1 system can grow and also maintain a low Tier 1 price over the duration of the contracts associated with that growth that may make this policy question moot. However, if the direction in post-2028 contracts is to set the system size such that a scaling is necessary, NRU's Board of Directors' goals related to utilities' CHWMs calculation will help guide NRU's position on the issue, notably ensure an equitable outcome for utilities with load that is flat, declining, and growing, which would likely lead to some adjustments recognizing a pro rata scaling approach.

Policy Consideration #6 / Regional Dialogue Policy Influence:
BPA questions how Regional Dialogue policy should influence approaches to CHWM calculations; whether conservation and resource investments through FY 2028 should be considered and whether there is value forward if BPA continues to tier rates. NRU believes there is value in considering how a policy established in one contract impacts other contractual policies. How policy consistency is implemented, however, could involve various

mechanisms. Additionally, the Public Power Concept Paper and the NRU Board of Directors have expressed a preference for retaining tiered rates, possibly with a larger system that could include elements that maintain policy consistency.

Any Missing Policy Considerations:
Last, BPA asked if there are any policy considerations that may be missing. While NRU recognizes that BPA has indicated that developing an exchange pool for unused Tier 1 power is not of interest at this time, to the extent that an approach to CHWM calculations result in some utilities having Tier 1 "headroom" and other utilities having Above High Water Mark Load, NRU is hopeful that an approach may be developed that enables some utilization by utilities with an Above High Water Mark Load of that unused power that would be sold at a Tier 1 rate if the utilities with headroom had a need. NRU is investigating whether an approach based on the Shared Rates Plan that establishes a limited pool and is incorporated but never used in the Tiered Rates Methodology may be a potential tool that could have benefits.

We appreciate the public process and open dialogue provided by BPA. Thank you for considering these comments and questions.

Sincerely,

/s/ Tashiana Wangler

Tashiana Wangler
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