



*Energizing Life in Our Communities*

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### **Comments of Snohomish County PUD on Provider of Choice Q4 2022 Workshops**

Snohomish County PUD (Snohomish) appreciates the opportunity to comment on the Provider of Choice customer workshops. Snohomish appreciates the commitment and hard work BPA Staff has put into the process, as evidenced in the well-prepared presentations throughout the year. The workshops provided opportunities for different perspectives to be heard — from BPA, public power and other stakeholders, all with a shared vision for Bonneville to succeed as the Provider of Choice post-2028. Since the release of the Public Power Council and BPA Concept Papers, the region has engaged in continuing collaboration and there appears to be core areas of common interest:<sup>1</sup>

- Tiered Rates Methodology (TRM) as the core framework for Provider of Choice
- A continued value proposition of existing products within a TRM framework
- Proper incentives and frameworks to enable development of non-federal resources
- Acknowledgment of conservation in Contract High Water Mark (CHWM) calculations
- Need for a carbon free product

Building on these mutual interests is key to finding a path forward on a package proposal that works for the future we expect to face. This process also continues to shed light that each BPA customer is unique and that the key to achieving an acceptable compromise is to think of Provider of Choice contracts as a package that delivers clean, affordable power to all. The message delivered by Executives during the December 14<sup>th</sup> workshop on the need for collaboration to establish clear design intent for future policy within the next contract was appreciated – while there is a diversity of utility needs, principled regional policy goals should drive prudent policy-making within a contract framework.

To that end, the purpose of this comment is to provide a brief summary of perspectives on recent policy topics from the Post-2028 Workshop series.

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<sup>1</sup> Puget Sound Utilities presentation, December 14, 2022: [Puget Sound Utilities](#)

## **1. System Size and Allocation Policymaking should take a balanced approach**

As presented during the December 8<sup>th</sup> workshop<sup>2</sup>, system size and allocation decisions should seek to:

- Minimize cost shifts across customers from the current contract to the next contract;
- Account for the decisions made by utilities to stay within their Regional Dialogue Contract High Water Mark through conservation investment with an appropriate credit, and;
- Seek to balance the allocation impacts across growing, flat, and declining utilities in an equitable manner.

To that end, Snohomish PUD supports continued development of the WPAG “No Worse Off” allocation framework, which attempts to address these issues in the manner described above. Snohomish also continues to support BPA’s fallback position of excluding 50% of load growth that occurred across the Regional Dialogue period in CHWM allocation in the event that a regional compromise cannot be found.

On the question of system size, Snohomish’s perspective is that the benefits of a larger system size must be shared across BPA customers in order for a system size of larger than the 7,000 benchmark to be under consideration. WPAG’s Option 2 proposal to allocate system augmentation pro rata across customers is one way to achieve this and warrants further discussion. System Augmentation undertaken solely to serve load growth experienced across the Regional Dialogue contract could be reconsidered as a Tier 2 product, allowing costs to be appropriately assigned to causality.

## **2. BPA should continue with a tiered rate structure**

The December 8<sup>th</sup> workshop posed the question of whether public power was reconsidering Tiered Rates as a framework for future contract policy. In Public Power Council’s Concept Paper, which was compiled by a plurality of public power, tiered rates and an evolution of the existing contract framework were identified as foundational elements desired in a future contract. Snohomish concurs. Tiered rates sends proper marginal cost price signals for utilities to make business decisions about how they will choose to serve loads: either through a marginal price Tier 2 product, or non-federal resources.

Electrification is expected to create significant load pressure on regional utilities. Failure to provide a marginal cost price signal, which could be the result of a Buy-and-Meld design, creates the environment for significant cross-subsidization of utilities experiencing the most electrification by those experiencing the least. It is possible that Snohomish could benefit from such cross-subsidization. However, it is not likely an appropriate regional policy, or to result in the lowest reasonable regional cost of service. Cross-subsidization, regardless of the beneficiary, is not prudent utility policy.

## **3. Provider of Choice contracts should account for the inherent value of conservation.**

Snohomish maintains that the new contracts should include appropriate credit for conservation that supports BPA’s and the Northwest Power and Conservation Council’s targets, based on prevailing policy direction that recognizes the unique value and attributes of this resource. BPA recognizes this inherent value, stating the persistent nature of conservation: “*BPA does not decrement or remove conservation from our forward planning once measure life is over*”.<sup>3</sup>

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<sup>2</sup> Puget Sound Utilities presentation, December 14, 2022: [Puget Sound Utilities](#)

<sup>3</sup> Provider of Choice Phase 1 Workshop: Conservation, September 8, 2022: [Conservation](#)

Conservation continues to achieve the intent/policy goal of the current Regional Dialogue (RD) contracts:

- Load management: Puget Sound utilities have responded to the policy signal and have invested heavily on conservation as a way to manage loads, effectively creating headroom and reducing the Administrator’s obligation to serve regional load.
- Cost: Conservation is the cheapest resource Bonneville doesn’t need to build. One could point to the importance of conservation in relation to system size: *“Future acquisitions to meet new load growth may be more expensive and complex, involving a mix of energy and capacity resources”*.<sup>4</sup> Conservation remains a cost-effective resource that mitigates the need to put steel on the ground, making sure affordable power is supplied to preference customers
- Capacity: To date, the capacity contribution of conservation has not been thoroughly discussed in Provider of Choice workshops. Conservation, at its core, is a resource that reduces load and stretches the capability of the Federal Columbia River Power System.

While Snohomish appreciates the various scenarios offered by BPA during the September 8<sup>th</sup> workshop, most scenarios reflected small fractions of achieved conservation. For those scenarios that reflected only BPA Program self-funded conservation for small catchments of years (for example 2018-2026) this conservation represented less than 10% of Snohomish’s expected conservation achievement from 2012-2026. In addition, as reflected in the December 8<sup>th</sup> workshop presentation, one incentive from recognizing only a subset of conservation achieved, and only over a small duration, is for utilities with significant headroom and established conservation programs to pause all conservation activities in order to achieve the same allocation at a lower utility cost. This would also be expected to raise costs for all other utilities as more load-growth would occur at utilities that could otherwise mitigate it. This outcome is not aligned with public power or regional policy goals.

BPA and public power should develop a broader framework to account for conservation achievements that sends appropriate price and policy signals to the region. This does not mean that BPA must credit all conservation achieved across the contract period, rather that crediting less than 10% of conservation achievements while providing an incentive to pause self-funded conservation is not an effective solution or aligned with regional or national policy goals.

#### **4. BPA should elevate market compatibility in its policy framework for product offerings**

Snohomish believes a proactive approach to considering potential product interactions and impacts within future market opportunities would benefit both BPA and its customers, particularly in evaluating enhancements to a Block with Shaping Capacity product and how a Peak Net Requirements provision may be considered. Specific examples of potential consideration include reconsideration of Preschedule Shaping constraints to diurnal periods for the Block with Shaping Capacity product, revisiting the RSO test for the Slice product, and incorporating market-based components into the Peak Net Requirements framework. Snohomish encourages BPA to include the topic in its workshops and factor in future market participation into the design of products and services.

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<sup>4</sup> Provider of Choice Workshop: System Augmentation Cost Analysis, December 1, 2022: [Augmentation Cost](#)

**A balanced, holistic approach is paramount in Provider of Choice contracts.**

The BPA and PPC Concept Papers have provided several building blocks which public power can utilize to arrive at a reasonable outcome. More prudently, the concept papers laid out goals and principles that are intended to govern the conceptual framework of Post-2028 contracts. Snohomish is cautious of ideas or proposals that veer away from or add to the agreed upon goals and principles. A balanced proposal recognizes the desire to preserve the TRM framework, and tiered ratemaking is based on proper allocation of cost. Snohomish opposes returning to any broad “buy and meld” construct that results in cost shifts and socializes load growth across all BPA customers, even while recognizing it may be one of the largest regional beneficiaries of such an approach.

Snohomish appreciates the “No Worse Off” framework WPAG has brought into the conversation. It is a good first step to “level the playing field” across different types of customers, is both backward- and forward-looking, and provides an understanding to where reasonable paths forward could be created. Snohomish looks forward to working with BPA and peers in exploring all avenues that take into account the diversity of customer needs, regional investments in conservation, and non-federal resources.

A balanced approach necessitates revisions to non-federal resource development policies. Snohomish supports the Northwest Requirements Utilities’ (NRU) “new” specified renewables exception on CHWM calculation. It preserves the intent of RD to incent customers to develop their own resources to mitigate load growth. It should be noted that conservation represents a similar customer-owned resource developed for the same purposes.

A balanced approach also recognizes the cost implications of serving future preference customer loads. Bonneville should set a consistent, coherent policy regarding cost responsibility for load growth that effectively bridges the TRM principles between the current RD contract and the Post-2028 contract. Based on the proposals presented thus far, WPAG’s “No Worse Off” or BPA’s 50% load growth proposal are acceptable compromise frameworks that could be further developed to meet a “balanced, holistic approach” from Snohomish’s perspective.

Snohomish is hopeful that the region will, once again, come together to develop Provider of Choice policies and contracts that meet the needs of public power.

Sincerely,

Garrison Marr  
Senior Manager, Power Supply  
Snohomish PUD