

March 17, 2023

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Submitted via email: post2028@bpa.gov

Comments on March 9, 2023 Provider of Choice Workshop

Thank you for the opportunity to comment on BPA's Provider of Choice (POC) Workshops held March 9. We appreciate that BPA's workshops offer a platform for parties to voice their positions. Below, City Light provides our response to select topics discussed by BPA and other parties during the workshop.

Above all, City Light agrees with several parties' comments during the workshop that adjustments to BPA's proposal should be considered in terms of their collective impact in a complete package, rather than assessing the individual impact of each adjustment in isolation. A comprehensive package proposal would reveal trade-offs, allowing stakeholders to better see how they could benefit from compromises among differing positions. When evaluating the reasonableness of the complete package, BPA should:

- Evaluate how well the package accomplishes BPA's stated policy objectives in total.
- Evaluate the package for reasonableness of the expected future paradigm, not what was or wasn't included in the Regional Dialogue contracts.
- Incorporate compromises proposed by public power, as this gives greater certainty that the compromises proposed in the package will be deemed reasonable by public power.

NON-FEDERAL TRANSFER SERVICE

City Light appreciates that BPA is trying to find a balanced approach to incorporating transmission costs of non-federal resources in transfer service, but City Light is concerned that there is insufficient information for stakeholders to judge potential costs and benefits. City Light supported BPA's earlier proposal to exclude non-federal transmission costs from transfer service and we are not confident that BPA's latest proposal will provide an equitable, durable solution consistent with cost causation. Regardless of how one defines a "local resource", without more information about how extensive or costly such development is likely to be, there is insufficient data for customers to make an informed decision. Would local development reduce transmission congestion? How likely and quickly is local non-federal resource development likely to occur? How much rate pressure will be put on the Tier 1 rates?

Accordingly, City Light requests that BPA quantify its new transfer service proposal to illustrate how it would provide cost-effective service to transfer customers, while shielding non-transfer service

customers from undue rates exposure to subsidize the costs of a subset of customers. City Light also supports the inclusion of a dollar or megawatt cap to limit the impact to an acceptable amount during the term of the POC agreement.

CONTRACT HIGH WATER MARKS AND INTERACTION WITH CONSERVATION CREDIT

City Light urges BPA provide a substantial conservation credit for self-funded, unreported conservation. As stated by Snohomish Public Utilities District (PUD) and the Northwest Energy Coalition (NWECC), not providing credit for self-funded, unreported conservation penalizes customers for pursuing such investments, as doing so would reduce a customer's Contract High Water Mark (CHWM). While this conservation is "unreported" to BPA, it is real as evidenced by its recognition by the Northwest Power and Conservation Council (NWPPCC). City Light and many other BPA customers have invested millions of dollars in such energy conservation measures that have benefitted the region and City Light is seeking recognition of this value via additional conservation credits in its CHWM.

City Light is concerned that in the absence of a reasonable credit for self-funded energy conservation to avoid reductions to their CHWMs, conserving utilities will be inclined to throttle any unreported conservation once they reach flat load growth. This will have a chilling effect on regional conservation on a whole and increase the risk that BPA can meet its conservation target set by the NWPPCC. Realistically, BPA cannot expect to rely on utilities' unreported conservation to meet its conservation targets while simultaneously providing a disincentive for the utilities to perform the same conservation. To support the maximum deployment of energy efficiency measures throughout the region, City Light requests that when allocating CHWMs for the POC contract BPA provide credits for both reported and unreported self-funded conservation.

CARBON

City Light reiterates that it is vitally important that BPA offer a carbon-free product that is compliant with all relevant state regulations. During the workshop, Mason PUD No. 3 raised concerns about the implications of the Clean Energy Transformation Act's (CETA's) requirements for coal-free power after 2025 on the current BPA power supply. Specifically, unspecified purchases could cause BPA's power to not be considered coal free in Washington, which would make BPA's customers in this state run afoul of CETA requirements. For this reason, City Light urges BPA to propose a coal free power product for POC and initiate a process for its Washington State customers to refine the product in consultation with the Washington Department of Commerce to confirm that the coal free product is compliant with state law. The product must be available on the first day of the contract. In a separate forum, BPA should consider needs for a coal-free product for the duration of the Regional Dialogue contracts.

If the coal-free product is not available on the first day of the POC contract, BPA's Washington State customers would be forced to pay CETA non-compliance penalties to purchase BPA power and they will no longer enjoy a level playing field with other BPA customers. Causing Washington customers to incur non-compliance penalties to purchase BPA power because BPA power cannot be certified carbon-free would frustrate BPA's intent to serve preference loads as the public power's "provider of choice".

For that reason, to the extent a carbon-free product is not available on the first day of the POC contract, City Light suggests that BPA consider resolving the inequity by providing affected customers with rate adjustments equivalent to the cost of CETA non-compliance penalties.¹ We believe providing rate mitigation as a solution to alleviate the carbon compliance burden of Washington customers is consistent with BPA's policy for providing rate adjustments for other policy priorities, such as how BPA provides Irrigation Rate Mitigation under the Regional Dialogue contracts.

Additionally, during the workshop BPA stated that it could potentially become a First Jurisdictional Deliverer (FJD) for GHG reporting by 2025 if it declared its intent to do so by January 1, 2024. **City Light supports BPA becoming an FJD**, as doing so would consolidate and standardize reporting requirements.

SYSTEM SIZE

During the workshop, BPA proposed a threshold trigger process for the federal system size, where BPA would initiate a public process if the system size changed more than 200 aMW during a rate period. While the exact value for the threshold trigger may need further discussion, **City Light is supportive of the overall concept of a threshold to trigger a public process for system size changes.**

When the public process is triggered, BPA states that one possible "...outcome of the process could be to reset CHWMs based on load or a pro rata share."² City Light supports a potential pro rata adjustment of CHWMs but cautions against a reset of CHWMs based on load. The potential for a reset of CHWMs based on load would create uncertainty for customers for their amount of above-rate period high water mark loads, and potentially erode any compromises reached by customers during the current POC contract development process. It could also erase benefits from customer conservation and new resources implemented between the start of the contract and the reset. For these reasons, City Light favors a pro-rata allocation of any system augmentation, with customers equitably sharing both the costs and benefits of expansion.

Thank you for the opportunity to comment. We look forward to continuing the discussion on other important topics in BPA's upcoming POC workshops.

cc:

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¹ Per Revised Code of Washington (RCW) 19.405.090(1)(a)(i), the penalty would be \$150/MWh, adjusted for inflation per RCW 19.405.090(1)(b). Only a portion of BPA's unspecified purchases would incur penalties of counting as potentially coal-fired electric power, per RCW 19.405.020(b)(i).

² Workshop slide 29.