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## Comments on the Provider of Choice Process

Thank you for the opportunity to comment on the BPA's Provider of Choice (POC) process. We appreciate that BPA's workshops offer a platform for parties to voice their positions. Recently, the Public Power Council (PPC) also filed comments on the POC process. City Light is a member of PPC and supports PPC's comments. Below, we provide additional City Light perspectives on select POC process topics discussed in PPC's comments.

First, **City Light supports BPA facilitating non-federal resource development provided it is done in a manner consistent with cost causation.** City Light recognizes that non-federal resource development can benefit all customers by reducing demand on BPA's power supply and is supportive of policies that incentivize the development of necessary non-federal resource development. However, these policies should seek to avoid cross-subsidization between different customers. To the extent a policy has cross-subsidization, there must be guardrails to mitigate against excessive cost impacts.

Second, **City Light agrees with PPC that there remain unresolved issues with BPA's Peak Net Requirements (PNR) methodology that affect all customers.** City Light re-iterates its request that BPA postpone including a PNR methodology in the draft policy until its methodology meets BPA's own stated goals to (1) be sustainable and durable, (2) address the diverse types of non-federal resources used by customers, (3) use standard planning considerations and definitions, and (4) be agnostic to BPA product<sup>1</sup>. The methodology proposed by BPA in the workshop has predictable complications for product design, the implementation of the Tiered Rate Methodology in the Provider of Choice contracts, and market compatibility. Rather than adopt a policy that has unintended complications, City Light asks that BPA not be prescriptive on calculation methodology in the draft policy so that there is room to be adaptive once product design and rate impacts are explored in the later phases of the Provider of Choice process.<sup>2</sup>

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<sup>1</sup> Provider of Choice Workshop: Peak Net Requirements and April Regional Meetings, p. 17. <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/2023-Workshops/2023420-provider-of-choice-workshop-pnr.pdf>.

<sup>2</sup> City Light's March 31, 2023 Comments on March 2023 Provider of Choice Workshops, p. 2.

Third, we appreciate PPC's leadership in advocating for BPA products that are compatible with day-ahead markets. **City Light believes that development of contract terms to ensure product compatibility with markets should begin today.** Additionally, as day-ahead markets develop further, **City Light believes that to maximize the opportunities available from markets, BPA must create products that are not only compatible with markets but are complementary with markets.** Part of the value proposition of the continued evolution of markets in the West are new, efficient instruments for dealing with resource adequacy, partial requirements, and grid services. City Light strongly supports and re-iterates PPC's comments that "customers need a creative, solutions-oriented approach from BPA on the intersection of power product design with future organized markets".

Fourth, **City Light continues to be disappointed that BPA has rejected customer proposals for a carbon-free product without offering a viable alternative.**<sup>3</sup> Without access to a 100% clean BPA product, a large proportion of BPA's preference load will be exposed to substantial carbon mitigation costs over the term of the POC contract, effectively increasing the cost of federal power paid by their end-use customers and fundamentally changing the value proposition of BPA power supply for affected utilities. City Light understands that there are difficulties to BPA in offering a carbon-free product but is willing to work with BPA to find ways to develop such a product that is both viable and insulates customers on a cost basis who do not purchase the carbon-free product. Similar to PPC comments on markets, "customers need a creative, solutions-oriented approach from BPA" on carbon.

Fifth, **BPA's exclusion of non-reportable conservation is not equitable since it fails to recognize a large portion of the total energy conservation achieved by utilities, and BPA should instead credit 50% of all self-funded conservation credited to BPA by the Northwest Power and Conservation Council ("Council").** As noted previously in comments submitted by Snohomish County Public Utility District ("Snohomish")<sup>4</sup> and Tacoma Power ("Tacoma"),<sup>5</sup> BPA's nominal 50% credit for conservation provides customers with much less than 50% actual conservation credit, as BPA ignores customer non-reportable conservation contributions. It is City Light's understanding that the Northwest Power and Conservation Council (NWPCC) has credited all conservation achieved by City Light towards BPA's achievement of its regional conservation targets, which includes self-funded conservation that has City Light has not historically reported through BPA's systems. This means that in City Light's case, the proposed 50% credit for reported conservation translates to a 19% credit for the conservation performed by City Light that has counted towards BPA's achievement of its conservation targets.

BPA's practice under the Regional Dialogue contract has been to "budget for 70% of the programmatic energy savings needed to meet its target, with utilities self-funding the remaining 30%. [...] Relying on customers to self-fund 30% of the savings also recognizes that many utilities fund energy efficiency

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<sup>3</sup> See City Light's February 10, 2023 Comments on January 2023 Provider of Choice Workshops, p. 1. <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/2023-Comments/20230210-scl.pdf>.

<sup>4</sup> Snohomish's February 8, 2023 Provider of Choice Comments, p. 3. <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/2023-Comments/20230208-snohomish-pud-comments.pdf>.

<sup>5</sup> Tacoma's February 17, 2023 Provider of Choice Comments. <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/2023-Comments/20230217-tacoma.pdf>.

programs beyond what Bonneville reimburses with the EEI. The partnership with utility customers to deliver energy efficiency programs to Northwest communities helps reduce energy costs and benefits the region by reducing the need for new resources.”<sup>6</sup>

The conservation credit proposed by BPA in the Provider of Choice workshops may have unintended consequences for the remainder of the Regional Dialogue contract and during the term of the Provider of Choice agreements. It also fails to acknowledge the shared responsibility for energy efficiency achievement that utilities like City Light have taken seriously. City Light supports Snohomish PUD’s conclusion in its May 18, 2023 comments that “If the policy impact of conservation adjustments significantly negatively impacts the economics of self-funded conservation, BPA should revisit conservation funding, and consider funding 100% of conservation in order to avoid falling shorter on regional targets.”<sup>7</sup>

Thank you for the opportunity to comment. We look forward to continuing the discussion on these and other important topics as BPA continues its POC process.

cc:

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<sup>6</sup> [Resource Mix and Energy Efficiency \(bpa.gov\)](https://www.bpa.gov/-/media/Aep/power/provider-of-choice/2023-Comments/20230518-snohomish.pdf)

<sup>7</sup> Snohomish’s May 18, 2023 Provider of Choice Comments. <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/2023-Comments/20230518-snohomish.pdf>