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Submitted via email: post2028@bpa.gov

Feedback on April 2024 Public Rate Design Methodology Workshops

Thank you for hosting BPA's Public Rate Design Methodology (PRDM) work group on the 25th, and a workshop on the 29th. BPA's workshops offer a platform for parties to voice their positions. During the workshop on the 29th, BPA requested feedback on its rate design proposals presented during the workshop, which City Light provides below.

Eugene Water & Electric Board and Grant Open Discussion

During the April 25th work group, EWEB and Grant discussed how uncertainty of extreme events could cause cost shifts between Load Following and Block customers. BPA noted that Load Following customers may pay a premium in months where there are no above P50 peak events, which may balance out the higher cost of load service to Load Following customers during above P50 peak events. BPA also stated that they do not currently have the ability to separate out cost shifts between customers from extreme events, and so at this time BPA could only add a provision in PRDM to study the issue. If cost shifts are significant BPA would determine a mechanism to mitigate the cost shifts at a later time.

City Light supports studying the impacts of potential cost shifts between Block and Load Following customers due to the presence or absence of extreme events. As City Light expressed during the April 29th workshop, while there is a certain frequency and magnitude of extreme events where the premiums Load Following customers pay in most months balance out the higher costs to serve them during extreme events, even a difference of one extreme event more than or less than this balance can cause significant cost shifts and risks between customer classes. While cost shifts due to these phenomena may not have been significant in the past, City Light expects rate mechanisms to address extreme events and volatile wholesale spot prices will be needed during Provider of Choice contracts.

Rate Design Alternatives

Of BPA's four PRDM rate design alternatives to the status quo Tiered Rated Methodology, City Light agrees with BPA that Alternatives 3 and 4, which allocate a fixed amount of revenue requirement to customers through new mechanisms, are large changes with uncertain and potentially unintended impacts. Of Alternatives 1 and 2, BPA has stated that it prefers Alternative 1, which charges demand charges based on aMW rather than aMW during HLHs (aHLH) in part because Alternative 1 separates

the demand billing determinate from the current industry commodity standard that may change in the future. However, customers and BPA have already agreed that the energy component of rates should continue to be diurnally differentiated, even if the concept of the industry standard of HLHs and LLHs may change in the future. The convincing arguments to keep HLH and LLH energy differentiation ring true to as reasons to keep HLH and LLH capacity differentiation as well. That is, even if the industry standard for HLH and LLH may change in the future, that change has not yet occurred, and it is premature at this time to adopt rates that do not follow the industry standard. Moreover, when the HLH/LLH industry standard changes it is likely to move to a standard with higher resolution differentiation of hourly costs and impacts, not less.

Rate Impact Credit

BPA has mentioned that they have proposed a new Rate Impact Credit (RIC) into two components, one for capacity and one for more general rate mitigation. City Light has expressed that the previous, single RIC had partial misalignment in its dual goals of avoiding tiering of capacity and avoiding overall rate impacts. This partial misalignment of goals particularly came to head in discussion on whether the RIC should taper down over the course of the contract. City Light is pleased that BPA has been responsive to City Light's concerns, and is eager to learn more details about BPA's new dual RIC.

Thank you again for hosting the workshop. We look forward to continuing the discussion on rate design as BPA continues its POC process.

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