



Energizing Life in Our Communities

July 13, 2022

Bonneville Power Administration
905 NE 11th Ave
Portland, OR 97232

Via email: TechForum@bpa.gov

RE: Comments regarding June 29th BP-24 and TC-24 Workshop Topics

Snohomish appreciates the opportunity to provide feedback to the Bonneville Power Administration (Bonneville) regarding the BPA TC-24 & BP-24 June 29th workshop topics. We appreciate BPA staff, customers, and stakeholders for their engagement on these issues and for the forum to consider customer perspectives.

Snohomish encourages BPA to further examine a Carbon Price adder to the Tier 2 rate

Snohomish supports BPA's proposal to examine the Tier 2 rate and consider inclusion of a pricing adder to account for the low-carbon attributes of the federal system. This adder would bring the pricing of Tier 2 in line with what market participants might pay in bilateral transactions for equivalent energy with similar carbon attributes.

Since its inception with the Tiered Rates Methodology, one of the core principles of Tier 2 has been that the rate is intended to send a price signal that mimics exposure to actual market pricing for BPA's resource. However, when the TRM was established in 2008 and enacted with Regional Dialogue contracts in 2012, clean energy regulatory requirements were in their nascency, and those that did exist excluded carbon-free hydro from eligibility.

However, the regulatory landscape has evolved and the nearly carbon-free product created by the federal system has yet another dimension of value for preference customers; both as an avenue for customers to acquire and utilize low-carbon energy for their customers, and for BPA to extract the value of low-carbon energy in its secondary surplus sales.

If Tier 2 is structured as it has been in past rate cases, BPA is providing those customers with its "one system mix," which, by definition, includes a portion of BPA's carbon-free hydro and nuclear fuel sources. These attributes have a distinct value in the marketplace over and above the energy and capacity of Tier 2; while there is no firm clearing price or index for the value of carbon attributes currently, Snohomish encourages BPA to monitor the bilateral northwest market and work with customers to establish a reasonable price adder that reflects the value of BPA's carbon-free attributes.

Further, it is expected that the issue of carbon is intrinsically linked to other choices BPA may make with regard to the Climate Commitment Act in Washington State, which is expected to create new market value for clean energy within the regional footprint. Snohomish requests that the issue of a Tier 2 carbon adder be considered within the broader context of carbon policy choices in the BP-24 Rate Case. As such, further discussion of this topic is likely warranted in the context of the CCA discussion in the upcoming workshop on that topic.

WRAP Tier 2 credit requires more discussion

The June 29th workshop introduced the concept of including a Tier 2 rate adjustment for non-federal resources receiving a WRAP credit that BPA may develop. In order to provide substantive comment on the prudence of the Tier 2 adjustment, more information is needed on the basis and structure of the credit. Specifically, any WRAP credit is expected to refer to capacity characteristics of non-federal resources and it is unclear how this may apply to Tier 2 energy allocations or energy-based rates.

Proposed Power UAI charges should be revisited

Snohomish is concerned the Demand UAI (“D-UAI”) rate is overly punitive and suggests the D-UAI rate should be set to the applicable power price cap per FERC order 831.

Proposed Transmission UIC & FTC charges should be revisited

BPA’s UIC charge for unreserved transmission appears overly punitive and out of alignment with FERC’s rebuttable presumption that “unreserved use penalties up to two times the transmission provider’s applicable point-to-point service rate are just and reasonable” unless the “transmission provider believes additional penalties are necessary to prevent pervasive unauthorized use.” Order 890-A at P 461-62. BPA’s UIC rate of \$1000/MWh is significantly higher than it would be under FERC’s 200 percent cap absent a showing of pervasive unauthorized use. Snohomish requests BPA consider aligning UIC penalties with guidance in FERC order 890-A.

Regarding the FTC charge, it is unclear this penalty is still required due to the re-optimization of resources provided with BPA’s entry in the WEIM. BPA should transition from the index-based FTC charge towards an EIM price.

BPA should consider an annual loss factor, rather than monthly transmission loss factors

Snohomish does not support adoption of a monthly loss factor; instead, an annual loss return factor appears appropriate for TC-24. We respectfully suggest a monthly loss factor for network losses would complicate loss return schedules unnecessarily, particularly in light of BPA’s planned implementation of concurrent loss returns in BP-24 which will add additional scheduling complexity during the operational time frame. Frequently changing loss factors increase the risk of loss return scheduling errors which could expose transmission customers to penalties.

During the BP-22 workshops and rate case, Snohomish supported a two-season loss factor as the appropriate balance between accuracy and administrative simplicity. This position was based on the large discrepancy in the monthly loss factors presented by BPA between the summer months of June-August and the rest of the year. As BPA noted during the June 29th workshop, the updated data shows significant flattening of loss factors, and summer months are no longer clear outliers. An updated annual loss factor appears both administratively practical and within a close range of the monthly variances presented during the workshop. Snohomish requests that BPA present analysis on the impact of using an updated annual loss factor relative to BPA's proposal to use monthly loss factors.

Snohomish appreciates the opportunity to comment on these issues. If you have any questions on our proposals, please do not hesitate to contact us.

Sincerely,

A handwritten signature in blue ink that reads "Jason Zyskowski" followed by the date "7/13/2022".

Jason Zyskowski
Assistant General Manager
Power, Rates & Transmission Management
Snohomish PUD

