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To: techforum@bpa.gov

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Subject: Comments on POC October 12th workshop (TRM v Buy& Meld)

We apologize for the late filed comments on these critical policy question presented by BPA at the October 12th POC workshop. We have been busy working through PPC to develop a CHWM model to understand the critical implications of Tiered Rates vs buy & meld constructs. The short turn-around time for comments was a challenge.

First and most important, the TRM was a critical and foundational construct that Public Power rallied around after many years of debate and negotiation. It's tenants are just as important today, if not more important, as they were back in early 2000's. After careful analysis and consideration of today's challenges we offer the following comments on BPA's requested for comment on critical policy questions posed at the October 12th POC workshop:

Oct 12th presentation, Slide 23:

First bullet - Electrification and load growth:

Tacoma has embraced conservation to preserve CHWM RD contract headroom to preserve our T1 rights to power in order to address future challenges with electrification load growth that we face. To completely reset CHWM post-2028 without consideration of our conservation achievements and take away the value of that investment flies in the face of the main principle of the TRM and tiered rates. (see Tacoma Power August 10th letter to the Administrator under CHWM, Also see PPC concept paper file in March 2022 RE conservation considerations).

Oct 12th presentation, Slide 24:

Second bullet – Hybrid approach:

Again, please refer to Tacoma Power's August 10 letter stating that a reset without consideration of RD conservation achievements is a bad policy choice and will result in a huge cost shifts and dis-incent conservation post-2028. We are open to discussing a CHWM reset, but not without proper consideration of conservation achievements (see attached PPT and cost shift analysis using the PPC developed CHWM model). At the October 12th workshop we requested we verbally requested that BPA analyze the cost shift in reshuffling CHWMs. That verbal request was followed-up with a TechForum Request and CC to Power rates manager Daniel Fisher.

Oct 12th presentation Slide 30:

Tier Rate Pools:

It is critical to continue the tiered rates construct to properly incent non-federal resource development. The existing Tier 1 marginal price rate design properly incents non-federal resource development. Without it post-2028, utilities will simply put load on BPA, and under a buy & meld construct we will be forever wedded to that socialized cross subsidy environment. We recognize certain "fixable" elements of the RD contracts that failed to achieve non-federal resource development envisioned under that construct. For instance, not setting the appropriate T2 rate at true new resource costs to incent non-federal resource development (T2 is based upon low market price environment during much of the RD term). Now that Tier 2 customers are facing the consequences of high market prices, they want out. As we state in our August 11th comments there are lessons to be learned under

the RD tiered rate construct that can be improved upon. Returning to “buy and meld” post-2028 is the wrong policy approach.

The reason Public Power has advocated to add back a portion of Regional Dialog conservation is to preserve some amount of CHWM “headroom” achieved during the RD contracts for those utilities that spent hundreds of millions of dollars for that conservation. A complete reset based upon FY25 or 26 loads would rob those investments from utilities that committed to the marginal price signals of the TRM and give that preserve CHWM to others...a terrible policy outcome. BPA backstop to only allow 50% of RD load growth, would achieve similar results as a conservation add-back.

These comments are a just a start on the critical policy questions for Post-2028 contracts and we look forward to addressing these questions further and in more detail in the coming months. Thank you for your consideration of these late filed comments. Please feel free to follow up with any questions on these thoughts, comments and analysis.

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