

COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP REGARDING SELECT PROVIDER OF CHOICE TOPICS

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A. Introduction.

The utilities that comprise the Western Public Agencies Group (“WPAG”)¹ appreciate this opportunity to submit comments regarding select topics related to the Bonneville Power Administration’s (“BPA”) recent proposals for calculating the Provider of Choice Contract High Water Marks (“CHWM”), post-2028 Tier 1 System size, and the proposed term of the Provider of Choice Contracts.

WPAG remains committed to using a tiered rate construct for the Provider of Choice Contracts and ensuring low Tier 1 Rates post-2028 remains an important priority. At its January 24th and 25th Provider of Choice Workshops, BPA presented a workable framework for calculating the Provider of Choice CHWMs. The framework seeks to balance the interests of growing, flat/declining, and conserving utilities in a manner that honors the core tenets of tiered rates and the underlying objectives of the Regional Dialogue (“RD”). It further acknowledges that conditions have changed since the RD CHWMs were fixed in 2010 while recognizing that the Tier 1 System is finite and that the demand for that system exceeds its firm capability.

B. General Support for BPA’s Proposed Framework.

The RD CHWM calculation inherently applied a “first in time, first in right” principle by rewarding the incumbents, i.e., those utilities that grew first and fastest in the region, with the largest RD CHWMs and, thus, the largest share of the Tier 1 System. This was the right approach at the time. Not only did it help ensure BPA’s financial stability by fully subscribing the Tier 1 System, but it also acknowledged the larger financial contributions such utilities had made over the years towards the enhancement and preservation of the Federal Columbia River Power System (“FCRPS”) due to their large loads and corresponding large BPA power bills. Absent such historic payments, the FCRPS would likely be much smaller than it is today and/or BPA would have been forced to pursue additional non-preference customer firm load to recover its costs.

However, the Tier 1 System is a limited and valuable resource. As such, BPA and its customers have a duty to ensure that it is being put to its highest and best use on the first day of the next contract. In WPAG’s opinion, the highest and best use of the Tier 1 System is in service of Tier 1 load. For these reasons, and subject to the comments and proposals below, WPAG supports calculating new CHWMs for the Provider of Choice Contracts using BPA’s proposed

¹ WPAG includes the following utilities: Benton Rural Electric Association, Eugene Water and Electric Board, Umatilla Electric Cooperative, the Cities of Port Angeles, Ellensburg and Milton, Washington, the Towns of Eatonville and Steilacoom, Washington, Elmhurst Mutual Power and Light Company, Lakeview Light & Power, Ohop Mutual Light Company, Parkland Light and Water Company, Public Utility Districts No. 1 of Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Kittitas, Lewis, Mason and Skamania Counties, Washington, Public Utility District No. 3 of Mason County, Washington and Public Utility District No. 2 of Pacific County, Washington.

framework, including application of the headroom, conservation, load growth, and returning load adjustments as proposed by BPA. BPA’s proposal will help ensure that the existing Tier 1 System is largely put to its highest and best use on day one of the new contract. This is sound not only from a general policy perspective, but it will also help safeguard BPA’s ability to meet its goal of ensuring that “the Federal Base System is fully subscribed to supply customers’ net requirements” and its principle of ensuring that the “Provider of Choice policy and contracts provide financial stability for Bonneville.”²

WPAG is generally not in favor of increasing the load growth or conservation adjustments above the amounts identified in BPA’s proposal because the size of the existing Tier 1 System is limited and, at a certain point, increasing the load growth or conservation adjustments would require an offsetting scale down of the final Provider of Choice CHWMs, Tier 1 augmentation that is not shared equitably across all customers, or both. Please see below for WPAG’s recommendation on how a scale down and/or augmentation should be implemented.

C. Methods for Scaling of CHWMs and Sharing of Any Augmentation.

BPA’s proposed framework includes significant upward CHWM adjustments for conservation (forecasted at 101 aMW), load growth (forecasted at 127 aMW), and returning load (forecasted at 187 aMW) without including any Tier 1 augmentation. This remarkable outcome is achieved through the combination of using FY 2023 as the index year and BPA’s proposed “headroom adjustment,” which together result in approximately 516 aMW³ of FY 2023 Tier 1 headroom being reallocated from flat/declining utilities to the benefit of conserving, growing, and returning utilities for the above purposes.

Using FY 2023 as the index year is a key element of BPA’s proposal because it provides enough headroom to meet the objectives BPA proposes to meet. A later index year will make it harder for BPA to provide its proposed conservation, load growth, and returning load adjustments without either scaling Provider of Choice CHWMs down or augmenting the Tier 1 System. Using FY 2023 as the index year further means that any load growth after FY 2023 through FY 2028 will likely be above-HWM load at the start of the next contract. This includes the post FY 2023 load growth of declining utilities who currently have Tier 1 headroom, whose load growth will be served at least in part with Tier 1 up to their RD RHWm for the remaining term of the RD Contract, but will become above-HWM load at the start of the next contract because the Provider of Choice CHWMs of such utilities will be lower than their RD CHWMs/RHWms due to the reset being based on FY 2023 loads.

The potential that flat/declining utilities may lose up to 516 aMW of Tier 1 headroom for the gain of conserving, growing, and returning utilities must be acknowledged as a significant loss to them for the significant gain of others. In recognition of this, BPA and public power should ensure that:

² BPA Provider of Choice Concept Paper at 6-7.

³ BPA’s presentation identified a total headroom adjustment of approximately 570 aMW. However, our understanding is that this amount will be reduced due to expected resource un-dedications by Seattle and Tacoma in FY 2026.

- In the event the sum of the recalculated CHWMs exceeds the size of the Tier 1 System, the recalculated CHWMs of flat/declining utilities will not be subject to any scale down.
- In the event public power and BPA agree to augment the Tier 1 System, the benefits of such augmentation will be shared pro rata so that all utilities who pay for such augmentation in their Tier 1 Rates receive a corresponding benefit from the same.

In addition to being fair and equitable, applying the above in this instance will establish guiding principles that can be used to help determine how to reset CHWMs the next time BPA moves from one contract that uses tiered rates to another contract that also uses tiered rates. The first principle is that, to the extent a customer is using its CHWM at the time of the CHWM reset, it should be able to retain such amount for the next contract. This would respect the “first in time, first in right” principle inherently used to establish the original CHWMs in 2010 by ensuring that no utility that is putting its CHWM allocation to its highest and best use at the end of its then current BPA contract, i.e., using such allocation to serve the utility’s Tier 1 load, is punished in the form of a lower CHWM allocation for its next BPA contract in order to meet the load growth of another utility.

The second principle, as further discussed below, is that the underlying tenet of tiered rates that load growth pays for load growth requires that any augmentation of the Tier 1 System, whether during or between contracts, be (i) by broad consensus among public power and, (ii) when such consensus is present, shared pro rata so that every utility that would pay for such augmentation in their Tier 1 Rates receives a corresponding equal benefit. Except in limited express circumstances,⁴ an alternative approach that would share the benefits of augmentation with a few but at the expense of the many would be an improper deviation from the fundamentals of tiered rates.

D. Tier 1 System Size and Augmentation.

Provided there is broad consensus within public power, WPAG recommends that BPA fix the size of the Tier 1 System for the Provider of Choice Contract at 7,250 aMW and that the augmentation above the BP-24 RHWL firm critical output necessary to achieve that outcome be carbon-free and shared pro rata so that all customers that would pay for such augmentation in their Tier 1 Rates receive a corresponding equal benefit. Modeling by the Public Power Council (“PPC”) demonstrates that the proposed Extended Power Uprate at the Columbia Generating Station (“CGS”) presents a unique opportunity to augment the Tier 1 System up to 7,250 aMW without upward Tier 1 rate pressure. In addition, augmenting the system to 7,250 aMW will help offset the CHWM impacts of Grant PUD’s returning load, and the associated returning load CHWM adjustment proposed by BPA, to BPA’s other customers. Finally, and assuming that there is in fact broad preference customer support, augmenting the Tier 1 System to 7,250 aMW will help BPA and customers meet the Provider of Choice principle that the next contract be broadly acceptable to public power.

⁴ For example, BPA’s proposed adjustments for newly formed public utilities, load growth for existing tribal utilities, and small utility load growth as well as the limited returning CF/CT load adjustment proposed below.

E. Normalization of the FY 2023 Index Year.

WPAG supports BPA's proposal to use FY 2023 as the index year for calculating the Provider of Choice CHWMs and further supports PPC's recommendation that the FY 2023 loads be normalized for abnormal conditions such as economic conditions, specific large loads, weather, irrigation, and other factors.

F. Adjustment Categories.

WPAG is generally supportive of BPA's proposal to include adjustments for newly formed public utilities, load growth for existing tribal utilities, and very small utilities in order to shield them from the disproportionate impacts to them of a tiered rate structure. We do not support an adjustment for the U.S. Department of Energy's ("DOE") vitrification plant's planned load and instead support further investigation of the proposal that Grant PUD serve the vitrification plant's load with its proposed, DOE backed, Small Modular Reactor.

In addition, in prior workshops, BPA has asked that stakeholders watch for and take into consideration the impacts to outliers under various system size and allocation proposals. One such outlier under BPA's proposed framework is the City of Port Angeles (the "City"). The City currently has approximately 42 aMW of Tier 1 headroom due to one CF/CT mill closing and the current CF/CT existing paper plant decreasing its load during the term of the current RD Contract. The City is a small community of only 11,000 households. Like other small rural communities, the City struggles with an aging population, decreasing household income, high poverty rate, and a shrinking job base. Under these circumstances, the City very much views its current Tier 1 headroom as an economic lifeline for the community that could either incent the existing paper mill to add another shift and/or attract new commercial or industrial customers.

However, under BPA's proposed framework, the City will lose all of its Tier 1 headroom to be redistributed to other utilities in the region and with it will go the City's lifeline. This further means that the City's Provider of Choice CHWM will be approximately 50% less than its BP-24 RHWM. No other utility is being asked to sacrifice so much for the greater good on a percentage basis and there are only a handful of (much larger) utilities that will lose more headroom on a nominal basis. To address this extraordinary circumstance, and the circumstances of other similarly situated utilities who will likewise lose headroom due to a RD reduction of a CF/CT industrial load, WPAG recommends that BPA include a CHWM adjustment for CF/CT loads lost during the RD Contracts that return after FY 2023 but before the end of FY 2033. This adjustment could be combined with and subject to the same rate period and total contract limits as the new public utility adjustment and is consistent with a similar proposal in the recently released NRU proposal.

G. Federal System Changes.

BPA has asked for feedback regarding how to manage significant changes to the federal system that may occur during the post-2028 period, e.g., due to the loss of a major Tier 1 resource. At this time, WPAG recommends that BPA and customers establish a process for determining how to manage such changes, if they occur, including defining what type of event would trigger the

process and what level of consensus would be required before moving forward with a proposed solution.

H. Contract Term.

At an earlier workshop, BPA asked whether the Provider of Choice Contract should expire in 2045 or, instead, in 2044 prior to CETA's 100% carbon free mandate. WPAG recommends 2044 because the section 5(b) dedicated resource mix of at least some BPA customers will need to be changed prior to 2045 in order to remove all carbon emitting dedicated resources due to regulatory loss. Fixing the termination date for 2045 will create an unnecessary and foreseeable cliff for such customers and BPA, and one that can be avoided by using 2044 instead.

I. NLSL Policy.

The integration of New Large Single Loads ("NLSLs") is an important consideration for some customers. WPAG supports exploring potential efficiencies in the NLSL policies and practices that do not create cost shifts.

Thank you for the opportunity to comment.