

February 17, 2023

BONNEVILLE POWER ADMINISTRATION
905 NE 11TH AVENUE
PORTLAND OR 97232

Submitted via email: post2028@bpa.gov

Comments on February 9, 2023 Provider of Choice Workshop

Thank you for the opportunity to comment on BPA's Provider of Choice (POC) Workshop held on February 9, 2023. We appreciate that BPA's workshops offer a platform for parties to voice their positions. City Light found the discussion portions of the workshop to be especially important for parties to voice their positions, and for parties to update BPA on negotiations within public power to date. City Light encourages BPA to continue and expand room for open discussion in its future POC workshops. Below, City Light provides our response to select topics discussed by BPA and other parties during the workshop.

First, **City Light stresses that the firm power product design discussion must set a general framework for future rate design processes.** City Light acknowledges that BPA plans to have a more detailed rate methodology process in 2025. However, the general concepts of any major rate design changes must be discussed in tandem with the current discussion on products, as each will inform the other. For example, the Northwest Requirements Utilities (NRU) sought clarification on whether BPA's proposed "balanced" and "equitable" approach would insulate customers from the product choices from others. That is, BPA should consider now rather than in 2025 whether a guiding principle of its product design should be to ensure consistency with cost causation and that customers would be unaffected by and agnostic to product choices of other preference customers. City Light shares NRU's concern about this topic.

Another example where City Light believes BPA should discuss product design and rate design in tandem is when evaluating Snohomish County Public Utility District's proposal for "cost shift accounting". Cost shift accounting appears to be a potential mechanism to allow customers to have flexibility to switch between products while also insulating other customers from any cost shifts the product switching may otherwise cause. While City Light will acknowledge that the fine details of cost shift accounting are a rate design mechanism rather than a product, whether BPA adopts cost shift accounting could have major implications on BPA's product design. Under a framework where BPA does adopt cost shift accounting, parties may be more likely to support more flexible product proposals, as cost shift accounting would mitigate against cost shifts that more flexible products proposals may cause.

Second, **City Light looks forward to further discussions on opportunities between POC contracts and day-ahead markets.** City Light appreciates BPA's in-depth overview of day-ahead markets during the workshop and believes day-ahead markets offer the potential to make access to clean energy more affordable for all BPA customers. Moving forward, City Light would like BPA's discussions of day-ahead markets in future POC workshops to focus on opportunities day-ahead markets can provide to POC products and identify areas that may need adjustments to ensure compatibility between proposed POC contracts and day-ahead market design.

Third, **City Light would like to reiterate that it is vitally important that BPA insulate preference customers from the product choices of other customers, including products delivered via transfer service.** As stated in City Light's comments on BPA's January POC workshops, City Light supports BPA's proposal to charge the cost of transfer service for non-federal power to the individual transfer service customer. Moreover, City Light supports the statement of intent BPA provided at the February 9th workshop on its proposed treatment of transfer service: "BPA's proposed approach for non-federal transfer service is aligned with foundational intents related to insulating customers from other customers' load and resourcing decisions."

Parties that favor bundling the cost of non-federal transfer service into Tier 1 rates have pointed out that doing so currently costs BPA only approximately \$2 million per year. However, the landscape of the POC contract period is different from that of the Regional Dialogue (RD) contract period, and therefore costs today are not indicative of the future. City Light currently pays over \$7 million per year through its BPA power rates to support transfer service of other customers (including transfer of federal power) and is concerned about the risk exposure to City Light's ratepayers if total transfer service costs increase substantially. For this reason, City Light supports BPA's proposal to no longer pay for non-federal transfer service for market purchases in POC and to return to the pre-RD policy of not rolling the cost of transfer service for non-federal power into the Priority Firm power rates.

Ideally BPA would not bundle the cost of non-federal transfer service into Tier 1 rates no matter how large or small the cost, as doing so violates the principle of cost causation and does not insulate customers from the resource decisions made by others. Nevertheless, City Light is sympathetic to transfer service customers' needs and considerations, so we are open to consider creative solutions that are efficient and mutually beneficial. In that light, we feel that the transfer service solutions most likely to succeed will include caps and/or guardrails to ensure other, non-transfer service preference customers are not unduly burdened by the approach.

Thank you for the opportunity to comment. We look forward to continuing the discussion on power products design, compatibility with day-ahead markets, and other important topics in BPA's upcoming Provider of Choice workshops.

cc:

Suzanne Cooper, Bonneville Power Administration

Kathryn Patton, Bonneville Power Administration