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March 17, 2023

Via Electronic Submission

John Hairston
Administrator and Chief Executive Officer
Bonneville Power Administration
911 NE 11th Avenue
Portland, OR 97232

Re: March 9th Provider of Choice Workshop

Dear Administrator Hairston:

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide feedback on Bonneville Power Administration’s (“BPA” or “Agency”) March 9th workshop, wherein the Agency responded to a wide range of customer comments regarding issues related to the Contract High Water Marks (“CHWM”), System Size, and other related issues central to the Provider of Choice initiative. AWEC believes that BPA’s thoughtful consideration of Customer feedback prior to the development of the initial framework proposal is critical to successful negotiation of the Provider of Choice framework and subsequent contracts.

Generally, the direction of BPA’s updated March positions is positive, and is supported by AWEC. We offer comment on certain specific issues below.

Contract High Water Marks

1. Economic Adjustment

BPA notes that a general economic load adjustment is not warranted, as current economic conditions are not impacting loads, generally, but remains open to a load-specific adjustment proposal. AWEC appreciates BPA’s consideration of load-specific economic adjustments as it believes that it is important to recognize that specific large loads are being impacted by ongoing economic instability. AWEC is aware of some loads of this type that are associated with facilities that have been important employers and economic pillars in communities in the Region and are likely to remain so during the term of the upcoming contract. AWEC strongly supports a mechanism for recognizing individual loads that have historically existed on the system and that is likely to return during the next contract period as economic conditions stabilize.

BPA has requested recommendations for how this load adjustment should be designed and implemented by May 17, 2023. While this timeline is too short for AWEC to



develop a complete understanding of how this issue impacts its highly diverse membership, based on our understanding of a limited set of affected loads, AWEC provides the following leanings, and will submit additional, follow-on comments shortly should our more complete research identify additional recommendations.

AWEC believes that the first two threshold requirements proposed by BPA are reasonable and should be included in the load adjustment parameters, including the ability to meter specific load, and the requirement that the load must have been online during Regional Dialogue. BPA's third requirement – that that load have returned by 2025 to be included in the CHWM process – likely needs better definition and is related to the issue of how to identify the level at which the load should be counted. For example, some loads may have not entirely disappeared, but are operating at reduced capacity relative to their historic and future needs.

While the characteristics of some of the larger cases of economic load reduction are fairly easy to identify, AWEC believes that the load adjustment should not be narrowly tailored to capture only the largest or most obvious examples, but instead should have broad applicability. As a result, specific industries should not be singled out. Likewise, while it appears that volatility in natural gas markets is causing the loss of some manufacturing loads, requiring that a load be affected by this specific commodity may fail to capture other load reductions driven by global instability. Rather than strictly limiting eligibility for an economic adjustment, BPA should require that any utility seeking an economic adjustment demonstrate that the individual load that was online during the Regional Dialogue Contracts experienced significant load loss of a magnitude substantially greater than the load's normal, year-over-year load variation. While this broader economic adjustment could create increased process, setting a threshold that requires a significant magnitude of load reduction to qualify for the adjustment should limit the number of cases in which it is applied. In addition, if the load has returned or resumed at a level closer to, but not as high as its previous level for less than a year by 2025, the utility and the end use customer that owns the load should have the opportunity to demonstrate that it can reasonably expect the increased load to persist during the next contract period.

2. New Specified Resources

AWEC recognizes that BPA continues to propose treating new specified resources like any other dedicated resources. AWEC has yet to hear sufficient explanation of why a new specified resource that has been constructed to serve load growth should not be given at least equivalent treatment to self-funded conservation that has, likewise, been installed to reduce load growth. While this is primarily an issue for those utilities that invested in new specified resources with an expectation that they would not be eroding their future CHWMs by doing so, AWEC is primarily concerned with how the lack of an adjustment for these resources could dampen the appetite for future investment in New Specified Resources. A wide range of AWEC members have invested in clean and renewable generation over the decades, and we are aware that large energy users with expected load growth continue to be interested in working with their utilities to add additional carbon-free resources during the upcoming contract period. A decision that creates a less-friendly environment for investing customer resources into projects



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that help the Region as a whole meet policy goals and reduce the strain on BPA's finite system should be avoided.

In addition, while AWEC understands that BPA is currently seeking feedback specifically on the issue of New Specified Resources as they pertain to CHWM questions, AWEC is aware that a number of stakeholders are keen to discuss how to make the addition of New Specified Resources easier and more economic. To the extent that the current issues will frame that discussion, choices should be made that promote flexibility and additionality.

3. Load Growth Adjustment

AWEC understands that there is a wide range of opinion among utilities on the question of a Load Growth Adjustment. AWEC reiterates the importance of preserving the value of the federal system through low-cost Tier 1 preference power and incentivizing the development of new resources in the region. While some level of Load Growth Adjustment may be inevitable, BPA's proposal to limit such an adjustment to 25% is an important step toward meeting those goals.

4. Headroom

AWEC continues to support BPA's proposal that CHWMs should be determined by actual load to be shared, and headroom should not be incorporated.

System Size

1. Determining System Size

AWEC continues to support BPA's proposal for a fixed system size that is determined by actual CHWMs, that does not include augmentation and is determined independent of a suggested resource. AWEC understands that in practical terms, there is not a great deal of difference between this outcome and the lower end of the range that has been proposed for an assumed system size between 7,000 and 7,500 aMW. If BPA decides to modify its approach to this determination, AWEC recommends an assumed system size on the low end of this range in order to keep Tier 1 prices as low as possible and promote customer flexibility.

2. Changes to System Size

BPA's Revised March Proposal adopts the threshold-plus-process model, which would set clear guidelines for when a change in system size must be addressed, but also provides flexibility for BPA and stakeholders to address such changes at the time that they occur. Customers have also noted that the potential responses to increases in system size may be different than the responses that might be deployed to address decreases. It appears that BPA's proposal addresses this issue by permitting BPA and customers to address changes in context as they occur.



AWEC is concerned, however, that the 200 aMW threshold used in the March proposal may be too small, and too likely to trigger. AWEC's proposals for addressing changes to the system size were based on the potential need to address very large, unexpected swings, such as could occur should a major resource be lost. A 200 aMW threshold is so small that, according to BPA, it would have triggered twice during the Regional Dialogue Contract.¹ AWEC recommends setting a significantly higher threshold that would be unlikely to trigger under normal hydro variation, and that would allow BPA to manage expected ranges of variation as it has in the past.

Slide 29 of the March 2023 deck also indicates that BPA has proposed that firm power that is below the threshold could be used to serve any load in the Above-RHWM Long Term Pool.² To the extent that this is a proposal to change how BPA handles sales of surplus power, this is an issue that should be determined as part of the contracting or rate processes, not in CHWM discussions.

Carbon-Free Product

AWEC appreciates BPA's continued commitment to evaluate options for customers to achieve 100 percent carbon-free products. At the March 9th workshop, BPA's focus was on its Strategic Plan Update with the several vital paths forward related to carbon. Notably, these paths seek to solve the carbon-free issue over BPA's entire footprint. While this is not necessarily a concern, AWEC finds that a focus on products and rate options that customers could individually elect should also be subject to additional discussion and considerations. The customers electing those rate options and products should also bear the costs of those choices. This approach addresses the fact that utilities and their consumers may be differently situated from each other. Even if not statutorily mandated, utilities may have their own local requirements and, importantly to AWEC, the end consumers of BPA's electricity may have their own legislative or corporate mandates. While the Tier 1 portfolio has an extremely low carbon content, AWEC continues to advocate for product options that would allow individual customers with carbon mandates to meet those requirements.

/s/ Bill Gaines

Executive Director

Alliance of Western Energy Consumers

¹ Bonneville Power Administration, Provider of Choice Workshop: CHWM, and System Size, Transfer, & RECs, at slide 28 (March 9, 2023).

² *Id.* at slide 29.