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5/11/2023

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**RE: BPA's Draft Provider of Choice Policy ROD**

Clatskanie People's Utility District (CPUD) respectfully submits these comments in response to the Bonneville Power Administration's (BPA) Provide of Choice Draft Policy ROD Process.

CPUD appreciates the time and effort being put into the Post 2028 Provider of Choice initiative and recognizes the diverse customer needs BPA is balancing in line with its statutory obligations. Please reach out if you would like to discuss any of the perspectives listed below.

**Core Product Offerings**

CPUD supports BPA in offering Load Following, Block, and Slice Block products. We believe that by offering a suite of products BPA is better able to meet customer needs and diversify its portfolio of financial risk.

CPUD supports an expansion of the Block product to include product components which better align customer requirements with the shape of the "Block". Block as a product may warrant better description as a "Known Delivery Amount" product designed to offer customers access to a volume of energy and peaking amounts tied to system output and customer load shape. We believe the Policy ROD is the appropriate space for the Administrator to call for an expansion of the "Block" as it pertains to the core product offerings.

CPUD supports the continued offering of Slice as a product and asks the percentage of Slice offered by BPA mirror that which is offered through the RD contracts.

CPUD supports the 10 "Slice Product Principles" adopted in the Regional Dialogue Final Policy Dated July 19<sup>th</sup> 2007 and believe they have been helpful when developing and applying the current RD products . We believe the pending Draft ROD would benefit from a similar set of principles as they pertain to all of BPA's core products and Net Requirements obligations. Below is a list of principles for consideration.

1. There are no unintended shifts of costs, risks or benefits among power products, and all power products bear a share of the costs and risks.
2. There is no risk or cost shift to or from Federal taxpayers.
3. Preference rights will be maintained.
4. To the maximum extent possible; customer products will adapt to the developing needs of regional electricity markets.
5. The application of Energy and Peak net requirements will not result in a reduction to the deliverability of either requirement.
6. The Load-Following product will provide firm power service to meet a customer's hourly retail load minus its dedicated resources for both energy and peaking needs.
7. The Block product will provide a known delivery amount of firm power to meet a customer's energy net requirement load.
8. The Slice Product will meet customers energy needs on a planning basis and will use the operational capabilities established in the regional dialog contracts as the baseline to be improved upon in the PoC contracts.
9. Customer products and system allocations will align with the Tiered Rate Methodology.
10. Tier 1 rates will not include the cost of serving above high watermark load.
11. Product cost pools will be consistent with the TRM and updated to include the revised application of PRM.
12. The product offerings will require no changes in Federal Law.

### **RSO Test**

As described in the PoC July 2022 Concept Paper we believe the RSO test is in need of modification and will likely limit customer access to market participation in the future. We request the Administrator set forth a process to modernize the RSO test to ensure market operability.

### **System Size and Allocation**

CPUD is worse-off with an expanded Tier 1 system and reallocation of contract high water marks. Unless addressed elsewhere in the contract process our PUD is expected to lose CHWM due to the adverse conditions facing our customers and pay higher rates for an expansion of the system to meet the needs of other utilities.

With that said, we support BPA in balancing the needs of its customers as a whole and trust the Administrator and staff in creating a comprehensive package which will address the wide range of customer needs.

### **Carbon / System Attributes**

CPUD supports BPA in maintaining a single system mix. There will be a need for ongoing discussions when considering how to assign attributes to BPA products and we look forward to the conversation. We are also eager to better understand how market acquisitions necessary to balance BPA's load following product will be attributed to the system.

### **PNR and Tiered Rates**

CPUD supports BPA in its efforts to better define and apply PNR through the PoC process. We additionally support BPA's comments in the July 2022 PoC Concept Paper which align PNR within the

context of the TRM. Uniform treatment of PNR across all product is important to ensure product comparability and viability. This will likely be a contentious item amongst the customer groups and CPUD believes it important for the Administrator to clearly articulate the vision for how PNR will work in concert with the TRM and future products.

Said differently; it is important for all future products and BPA business lines to operate consistently when accessing BPA's peaking capabilities. This will limit cross customer, cross product, and cross business line subsidization. For instance, when BPA Transmission is procuring reserves from BPA Power as a firm obligation it is important to understand how the reduction in Tier 1 peaking will flow through to customers as well as who will be responsible for any planning obligations/hold-backs tied to that purchase.

### **Index Year**

For the purposes of determining CHWM amounts, CPUD believes 2023 is a generally sufficient base year provided customers with significant industrial loads will be given consideration in the event those loads return over time. Absent consideration for returning industrial loads those demands and economic benefits to the region may be all but lost.

### **Long Term Cost Management**

CPUD recognizes BPA's recent cost management efforts and appreciates the acknowledgment of how future cost management principles interplay with the PoC contracts. We believe the next round of contracts will benefit from better illustrating how capital funding and program execution will impact customer rates.

CPUD also believes there to be benefit in better understanding how excess funds distribution will occur in the next round of contracts. It is important for the Administrator to maintain discretion when managing BPA's financial issues but it is also important for customers to have certainty in revenue distribution and not fund programs which have not been subject to review.

### **Procedural Adaptability**

CPUD believes the rate of change happening in the industry is only going to increase in the coming years. For this reason we believe it important for the Administrator to enable new process controls which will allow BPA to be successful. The 7(i) process works for formal deliberations within BPA's general purview but much of what is being contemplated is now taking place outside the rates hearings rooms and in regional conference centers. We ask BPA to adapt to these discussion and create a work stream much like the QBR for the purpose of sharing information and soliciting stakeholder input in a known advisory process.

### **Secondary Revenue**

CPUD supports BPA in an evaluation of how secondary revenue is handled through the course of the PoC contracts. We believe there are opportunities to decrease rate volatility and increase certainty that

preference customers will receive full credit from system output. We are also aware of potential pitfalls that may necessitate a roll-over of the current methodology.

### **Transmission**

CPUD believes transmission is inherently tied to load service and supports BPA in future investments.

### **Tier 2**

CPUD supports BPA in offering an expanded suite of Tier 2 products as described in recent workshops. We believe the offering of Tier 2 products and services designed to meet the firm energy and peaking requirements of customers having needs beyond those provided by Tier 1 service and dedicate resources is essential to BPA meeting the needs of its customers.

Load service above CHWM amounts is a paramount issue for customers. CPUD believes the expanded use of PNR and planning requirements/holdback as it pertains to Tier 2 elections necessary of address in the policy ROD.

CPUD opposes BPA offering a cost based Tier 2 product. A cost based Tier 2 product add unnecessary cost shifts and widely conflicts with the core principles of the TRM. As best described in BPA's Long-Term Regional Dialogue Policy dated July 19<sup>th</sup> 2007; "A Tier 2 rate will apply to Federal power service to meet a customer's net requirement load above its Rate Period HWM amount, reflecting the marginal cost of that service."

Thank you for your consideration of these comments and we look forward to working with you in these coming months.

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Clatskanie PUD

Director of Energy Resources