



*Energizing Life in Our Communities*

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Submitted via email: [post2028@bpa.gov](mailto:post2028@bpa.gov)

Public Utility District No. 1 of Snohomish County (Snohomish) appreciates the opportunity to provide comments on topics covered during the April Road Shows, and the April 20<sup>th</sup> Workshop on Peak Net Requirements.

These comments provide feedback on the following topics:

1. Thank you to BPA staff
2. General Topics
3. Peak Net Requirements

### **1. Thank you to BPA staff**

As we close the Provider of Choice workshop series, it's important to acknowledge BPA staff's efforts putting that workshop series together. Snohomish sincerely appreciates the efforts of BPA staff to develop proposals, provide venues of engagement, and move the process closer to contracts. Snohomish remains committed to engaging in the process respectfully and is actively looking for regional compromises that help all parties prepare for the future.

### **2. General Topics**

#### **A. Tiered Rates Methodology (TRM)**

Snohomish believes Tiered Rates Methodology (TRM) has been largely successful in tying cost causality with cost allocation, which was a central goal of the methodology. While it is true that short-term market prices are high, long-term policy should not be set based on short-term environment factors, but rather durable principles that send long-term marginal price signals for utilities to manage their load growth and costs. Snohomish is concerned about proposals that would move towards melded rates. These proposals would have the effect of regionally socializing the costs of individual load growth, causing cost shifts across customers. Snohomish believes that BPA's previously stated Provider of Choice Interests of "producing lowest possible Tier 1 rates", "maximizing the value of the FBS", promoting "certainty of obligations for all parties", and "promoting infrastructure development consistent with the Northwest Power Act" are all principally supportive of the Tiered Rates Methodology.

## **B. Tier 1 System Size**

Similar to discussion of TRM above, the size of the Tier 1 system should be reflective of a principled approach that reflects long-term regional policy goals, not short-term advocacy or short-term market environments. Snohomish is supportive of system sizes up to 7,250aMW, if and only if system sizes of larger than 7,000aMW result in the proportional allocation of augmentation across public power customers, commensurate with the proportional cost burden associated with the same. BPA has done a good job expanding the suite and combinations of Tier 2 options available, providing further options for utilities seeking additional BPA resource provision for long-term load growth. Further, BPA's Tier 2 options appropriately assign the cost of the resources to the load growth they would support.

## **C. Carbon**

The Pacific Northwest is a national leader in clean energy and is home to a constellation of clean energy and carbon policies reflective of the region's efforts to build upon that leadership position. While there are diverse policy environments across the states that BPA serves, it is clear that clean energy policies and carbon policies will be a significant part of the local and regional landscape, and customers will need contracts that rise to those challenges. Snohomish is supportive of AWEC's comments asking that BPA further explore clean energy and carbon-free offerings available through other national providers, including those offerings by other Power Marketing Authorities.

## **D. Economic Adjustment Factor**

Snohomish is supportive of the proposal put forward by Cowlitz PUD on economic adjustment factors, as well as AWEC's proposed tuning to that proposal.

## **E. Market Compatibility**

Market compatibility should be a core policy consideration for the products offered under the Provider of Choice contract. Many features of today's product are not compatible with reasonably foreseeable market elements. For example, the current Slice RSO test parameters are unlikely to be compatible with unknowable market dispatch. The diurnal energy constraints for capacity in the Block with Shaping Capacity product are not compatible with a Day-Ahead market with 24/7 dispatch (and RUC and resource sufficiency requirements) or a 24/7 Western Resource Adequacy Program.

While it is understandable that while the region is developing many of these programs concurrently with the Provider of Choice process and exact details of design are in flight, Snohomish encourages BPA to establish a clear market compatibility definition within the Draft Policy Record of Decision and establish a high standard of market compatibility in order to inform future product design conversations and provide products that work well with future markets.

## **F. Products**

Snohomish's goal for Provider of Choice product offerings is to have no fewer than three viable product offerings, representing diverse options in support of making the best choice to meet our customer's needs into the future. From Snohomish's perspective, a viable product offering must: (1) have a cost commensurate with product characteristics offered, (2) provide a reasonable ability to pair with non-federal resources for load-service needs, (3) be compatible with organized market frameworks and resource adequacy, (4) be compatible with regulatory requirements for utilities in Washington state, and

(5) provide a reasonable basis to facilitate long-term planning for both Snohomish and BPA. Snohomish is concerned about the potential impacts of the proposed Peak Net Requirements definition on criteria 1,2,3 and 5.

### **3. Peak Net Requirements**

Snohomish remains opposed to the proposed definition of Peak Net Requirements, and urges BPA not to include specificity around Peak Net Requirements within the Draft ROD until the proposal and policy discussion has the benefit of increased public transparency on the potential product and cost impacts for customers.

Many issues related to PNR and cost allocation of BPA's proposed policy changes—including but not limited to the cost impact and cost allocation for BPA's new resource policies—remain unresolved. This uncertainty is negatively affecting long-term planning and negatively affecting Snohomish's ability to make long-term commitments to regional resource adequacy developments due to incongruency of the proposed peak net requirements definition and the definition of regional resource adequacy under the Western Resource Adequacy Program.

Snohomish is further concerned about confusion over whether and how the proposed definition can be product agnostic based on varying BPA statements about PNR applicability. Snohomish is also concerned about whether there will be multiple viable BPA products based upon the potential for untenable cost and capability risk on products over the contract term. Further, the proposal raises the prospect of significant cost shifts and effective cost changes within and among products across the product seam, potentially stacking cost shifts across this seam from allocation policymaking.

Given the lack of transparency on how Peak Net Requirements would be applied to products and rates, considering a specific Peak Net Requirements definitions within a Draft Policy Record of Decision is inappropriate, as customers do not have the necessary tools to substantively engage on the merits or impacts of the proposal

Snohomish appreciates the hard work of BPA staff throughout the Provider of Choice workshop series, the opportunity to share our perspectives on policy and contract issues, and we welcome additional discussion in pursuit of practical, and durable contracts for BPA and its customers.

Respectfully,

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Snohomish PUD