

September 22, 2022

Submitted via email to techforum@bpa.gov

Northwest Requirements Utilities (NRU) submits these comments in response to Bonneville Power Administration's (BPA) Provider of Choice workshops on August 31 reviewing issues related to Tier 1 system size and September 8 reviewing conservation issues related to utilities' allocation of power sold at Tier 1 rates ("Contract High Water Marks" or "CHWMs"). As you know, NRU represents the interests of 56 Load-Following customers located in 7 states across the region that hold Network Transmission contracts with BPA and hold power contracts for approximately 28 percent of BPA's Tier 1 load. Of primary importance to NRU members is BPA's ability to offer an affordable and reliable power supply and transmission that maximizes the value of the Federal system for the benefit of preference customers.

NRU appreciates BPA's work to provide a public process for considering different approaches to determine the appropriate Tier 1 system size and utilities' CHWMs. As you know, NRU is working with its membership and others in public power to determine an approach to these issues that benefits NRU members. We plan to present this work to BPA this Fall to help inform BPA's direction on important issues associated with the new contracts.

In response to information presented at the workshops, NRU provides a few recommendations below to inform future work and avenues considered by BPA and public power:

I. BPA's Cost and Risk Analysis Associated with Growing the Tier 1 System Size

Related to the Tier 1 system size identified in post-2028 contracts, NRU encourages BPA to retain its tiered rate system to make individual utilities responsible for load growth outside of the available Tier 1 product, except to the extent that the Tier 1 system can be grown and still enable the lowest forecast reasonable Tier 1 rate over time. NRU believes BPA can meet these objectives by considering strategies that increase its Tier 1 sales to preference customers, maximize the federal system through potential updates to its streamflow planning, and increase the system through augmentation. NRU urges BPA to consider these approaches while also considering whether the outcome will ensure a firm and reliable power supply system, rate stability for preference customers, and rate certainty for customers over time. Additionally, should the optimal Tier 1 system size identify the need to add long-term resources to the federal base system, NRU recommends that the federal system should only be augmented as necessary

to get to the right system size through a process that enables customers to have meaningful participation in a process that considers resources that balance customer interests related to cost and clean energy.

NRU understands that BPA is working to review least-cost, least-risk approaches to the Tier 1 system associated with an increased Tier 1 system size that will consider scenarios that are low-cost or low-carbon and identify the type of resource, cost, transmission constraints, and other important information to inform the optimal system size. We believe this work is imperative and foundational to major policy decisions needed to develop post-2028 contracts. We appreciate BPA's work on this issue and believe this cost impact analysis will enable public power to provide direction regarding its preference for a Tier 1 system size, among other issues. We look forward to continuing to analyze this issue and to reviewing the results of BPA's analysis.

Lastly, regarding the inputs for BPA's least-cost, least-risk analysis, BPA asked for additional feedback and if any scenarios could be removed. NRU members have indicated a preference for BPA to consider a fixed system size that would provide greater certainty to preference customers regarding their power supply provided by BPA. NRU is encouraged that BPA has recommended utilizing a fixed system size within post-2028 contracts, and we look forward to additional analysis of the benefits of various fixed system sizes within BPA's cost analysis. BPA requested feedback regarding whether any approaches could be eliminated from its consideration, specifically identifying the P35 approach as an area to consider. While NRU recognizes that BPA has expressed concern about the risk associated with this approach and BPA products would be impacted differently, there is value in considering the costs and benefits of adjusting firm planning utilizing different risk assessments (i.e., different P values), if for no other reason than to provide a more informed review and discussion. Therefore, rather than eliminating the P 35 option, NRU recommends additional analysis and impacts of various P values between P 10 and P 35 that would enable a larger system, and provide an analysis of the cost, market, and carbon risk for customers under these various scenarios.

II. Considering Load Mitigation Investments such as Conservation when Calculating CHWMs for Preference Customers

NRU recommends that as BPA considers various approaches to calculating CHWMs for preference customers, it should establish an equitable allocation methodology of Tier 1 power that provides benefits for members with flat, growing, or declining load. When considering investments that manage and reduce preference customer net requirements and how to recognize those investments within utilities' CHWMs, the above recommendation is particularly important to ensure an equitable approach for utilities with differing load needs.

To date, conversations with BPA and within public power have focused on the appropriate balance for recognizing load growth compared to conservation achievements within utilities' CHWM calculations. NRU appreciates the differing perspectives on how to meet preference customer needs now and into the future. We understand the importance and value of investments in conservation and nonfederal

resources that manage and reduce preference customers' net requirements for the good of the greater system. At the same time, we recognize the interest in ensuring that utilities' CHWM calculation first meet utilities' net requirements through the Tier 1 system to the extent possible, and next recognize the efforts of utilities to mitigate load growth. As BPA works to analyze the costs and risks associated with various Tier 1 system sizes, the opportunities and need to recognize load mitigation investments within utilities' CHWM calculations will become clearer. Until that analysis is available, NRU will continue to work with the broader public power base to evaluate potential approaches that appeal to our mutual public power interests.

Additionally, we appreciate BPA's work to provide a thorough analysis of different approaches for considering conservation within the calculation of utilities' CHWM in post-2028 contracts. The data is immensely helpful to understand the outcome of different approaches for recognizing conservation. NRU's analysis shows that BPA's scenario 1 provides the greatest benefit for the greatest number of NRU members. However, given the shortcomings of the analysis due to the overall limitation of a 7000 aMW fixed system approach to system size utilized in the scenarios, NRU believes it is premature to remove any scenario from consideration until further analysis related to the cost of growing the Tier 1 system size and additional work to determine the appropriate way to recognize nonfederal resources within a utilities' net requirement and CHWM calculation are available. It may be that a larger Tier 1 system size can yield greater benefits for NRU members and preference customers as a whole, without adding an unreasonable amount of cost, thus enabling more expansive policies to recognize investments to mitigate load growth such as conservation within utility CHWMs. If that were the case, NRU's perspective of the outcomes of various conservation scenarios could change.

We appreciate the public process and open dialogue provided by BPA and among public power. Thank you for considering these comments and questions.

Sincerely,

/s/ Tashiana Wangler

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