

November 22, 2022

BONNEVILLE POWER ADMINISTRATION  
905 NE 11<sup>TH</sup> AVENUE  
PORTLAND OR 97232

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

### **Comments on Provider of Choice Workshops of October 26 and November 9**

Seattle City Light (City Light) appreciates BPA's efforts to engage with customers on Provider of Choice (POC) through the workshop process. City Light understands the monumental task for BPA staff to both provide in-depth explanations of technical topics and balance competing interests in forward looking recommendations. We applaud BPA's willingness to consider customers' suggestions. In that light, City Light would like to offer the following comments regarding the recent workshop topics for consideration by BPA.

The principal purposes of these comments are to:

1. Reiterate our concerns about the carbon content associated with BPA power purchases and the urgent need for a zero-carbon product option
2. Advocate for clean augmentation equal to customers' self-funded energy conservation achievements since 2011 and to provide room for some future load growth and/or addition of new public utilities and/or tribes if the decision is made to grow the Tier 1 system
3. Advocate for awarding individual utilities Contract High Water Mark (CHWM) credit adjustments commensurate with their self-funded energy efficiency achievements
4. Express conditional support for inclusion of billing credits resources that don't add carbon to the Tier 1 portfolio or unreasonably increase the cost of Tier 1 power

#### Carbon

Along with many other preference customers, City Light has requested that BPA commit to deliver a product that will be fully compliant with Washington's Clean Energy Transformation Act (CETA). From City Light's perspective, access to 100% clean energy is an extremely important element of the value proposition of federal power supply. "Mostly clean" will not suffice, as City Light and other Washington utilities subject to this law will be required to pay penalties to continue to buy federal power that is not carbon free, if BPA opts out of being the First Jurisdictional Deliverer under the statute. City Light's exposure to carbon penalties under BPA's conceptual proposal could be substantial starting on day one of the POC contract. Minimizing or eliminating potential penalties BPA's customers could be subject to should be a core element in the creation and evaluation of the treatment of carbon in the POC contract. Working with BPA and its customers to ensure BPA can and does deliver a CETA-compliant product is

instrumental in combating climate change as well as providing customers value through access to the federal hydro system.

BPA expressed in the October 26 workshop that they intend to consider their customers' conceptual request for an option to reallocate the environmental attributes associated with customers' Tier 1 purchases as a way to offer a 100% carbon free allocation of power from BPA. Specifically, the Public Power Council's (PPC) Concept Paper suggested that BPA provide a pathway to a 100% clean product by allowing customer to customer reallocation of rights to the energy and environmental attributes associated with their BPA power supply. BPA also revealed that the Washington Department of Commerce had tentatively expressed its support for the concept as currently understood. This sounds promising and City Light would like to discuss these concepts in more detail. To that end, we encourage BPA to outline how it could implement the customers' carbon attribute reallocation plan and present the findings to customers as soon as possible.

#### Post-Regional Dialogue Augmentation and Contract High Water Marks

Many customers, including City Light, are expecting steep load growth after 2028 driven by widespread consumer electrification and are concerned about benchmarking Contract High Water Marks (CHWM) to an earlier year that is not representative of where retail loads are headed. For instance, City Light's total retail load is currently in a declining phase, due to aggressive investments in energy efficiency, and our lowest load in decades is expected to occur in FY-2026, before electrification begins to move the curve upwards. City Light is naturally concerned that if our CHWM is set based on our loads before FY-2027, we will completely miss the opportunity to serve our electrification load growth with BPA preference power.

Our assessment of BPA's initial POC conceptual proposal suggests that if BPA proceeds with a full reset of CHWMs while holding the system size at its current level (i.e., 7000 aMW), many customers will be forced to begin the contract with some of their load in Above-CHWM territory. Many customers whose load declined or stayed flat due to the extraordinary economic forces of recent years and/or as a result of highly effective energy efficiency programs, will lose the CHWM headroom they have enjoyed under the RD contract to utilities that have grown over the same period. This is unpalatable for many customers and particularly unfair to utilities that have invested significant sums of ratepayer funds in energy conservation to reduce their load growth.

City Light strongly recommends that BPA reconsider its concept paper proposal to fix the size of the federal system at 7000 aMW. BPA's Regional Dialogue (RD) policy allowed limited augmentation for new public utilities and tribes; we think a similar approach should be considered for the POC contract period. Recent analysis from PPC indicates that it may be feasible for BPA to add a modest amount of renewable resources to Tier 1 at a nominal cost. In addition to serving the load of new public utilities and tribes, augmentation would make it possible for most BPA preference customers to begin the POC contract with some amount of CHWM headroom without substantially increasing BPA's rates. This may help reduce friction between different types of customers as our POC policy discussions continue. City

Light acknowledges that more information is required to have a meaningful discussion about the appropriate amount of Tier 1 augmentation, and we are looking forward to the conversation.

With respect to the Tier 1 allocation, which goes together with setting the system size, City Light strongly believes that it is important the policy adopted for computing CHWMs under the new contract does not diminish the value of customers' energy conservation investments made since 2011, nor discourage such investments in the future, which will be critical for meeting regional clean energy goals in the long run. Customers' energy efficiency efforts have added great value to the region, while also reducing BPA's load service obligations, and the new contract policy should support this beneficial partnership.

City Light spent hundreds of millions of dollars since 2011 to acquire energy conservation, an investment that slowed our load growth and created headroom under our current BPA contract. A complete reset of CHWMs without granting conserving utilities adjustment credits for their energy conservation would effectively shift the benefits of those customers' substantial investments to other BPA customers. On the other hand, if BPA grants energy conservation adjustments and rescales CHWMs, utilities that have not conserved energy stand to lose headroom. City Light does see that as an acceptable outcome either. For this reason, City Light favors augmenting the system to cover energy conservation adjustment credits. We would like to explore with BPA and the other preference customers: (1) adjusting individual CHWMs to add back all self-funded energy conservation savings since the beginning of the RD contract; and (2) collectively determining the appropriate level of clean, cost-effective, resources to add to the Tier 1 system to cover the energy conservation credits. City Light is looking forward to hearing more from BPA about how different levels of augmentation with different types of resources will impact BPA's rates and satisfy BPA's resource needs.

#### Billing Credits

City Light encourages BPA to consider offering billing credits for both non-polluting supply and demand-side resources that will benefit the collective regional portfolio while limiting BPA's load obligations. Investing in demand response to manage capacity and peaking challenges is an opportunity to reduce overall cost for BPA customers. We anticipate substantial load growth for many of BPA's customers during the post-2028 contract period and City Light believes accelerating development of demand response resources will be critical to managing the associated capacity and peak load issues. While we support BPA serving customer load growth with Tier 1 System Power as a central theme in PPC's Concept Paper, City Light feels that allowing customers to make use of billing credits to economically add demand response and renewable energy resources should be an integral part of an overall strategy to meeting customers' needs. Further, it is possible that BPA customers will be able to capitalize on the economical investment opportunities offered through the 2022 Inflation Reduction Act to move forward expeditiously with these key resource additions. City Light feels it will benefit the entire region if BPA's POC contract can help facilitate such development. We understand the

potential consequences to rates and encourage BPA to consider clean, cost-effective customer-sponsored projects as well as third-party projects.

#### Non-Federal Resources

City Light supports BPA's proposal to add a non-federal resource allowance to POC contracts to provide customers with options to dedicate a small amount of generating resources to offset and serve load that would otherwise be eligible to be served by federal power priced at PF Tier 1 rates. This will encourage non-federal resource development. Similarly, and in the interest of reducing the administrative burden of both BPA and its customers, City Light supports PPC's proposal to increase the nameplate threshold for non-federal resources that customers can run against load without listing them in their BPA power contract from 200 kW to 10 MW or higher. City Light believes a thorough discussion of the policies related to incorporation of non-federal resources is warranted to ensure that BPA and its customers can continue to work together to find the most cost-effective way to meet future loads consistent with environmental regulations, evolving market dynamics and cost causation principles.

In conclusion, City Light recognizes this is an extraordinary time of great change in our electric industry and there are many challenging issues to address in establishing a mutually acceptable policy for the future BPA contracts. We are committed to constructively working with BPA and Public Power to achieve broadly acceptable solutions for the issues described above. We are looking forward to much more in-depth discussion regarding customer ability to reallocate their environmental attributes and other important topics over the next year.

Sincerely,

Emeka Anyanwu  
Energy Innovation and Resources Business Unit Officer  
Seattle City Light

cc: Marcus Perry, BPA