



# Fact Sheet

February 2021

## Discounts for rural areas and agriculture

The Bonneville Power Administration’s customers provide power to urban and rural communities across the Northwest. Some utilities serving smaller populations or agricultural loads may be eligible for BPA power rate discounts



### Low Density Discount

Section 7(d)(1) of the Pacific Northwest Electric Power Planning and Conservation Act of 1980, also called the Northwest Power Act, directs BPA to provide a discount in its firm power rates to customers with low system densities and high distribution costs. The Low Density Discount, or LDD, is available to eligible BPA customers serving lower density population areas, often rural, to avoid adverse impacts on their retail rates. The cost of the LDD is recovered in BPA’s Priority Firm power rates. Today, BPA provides approximately \$40 million in LDD benefits annually.

BPA has developed criteria to determine which of its utility customers are eligible for the LDD. Determining which customers are eligible, establishing the level of the LDD for each rate period and applying the discount to those customers’ power bills satisfies BPA’s obligation. Current LDD eligibility criteria are:

- The customer must serve as an electric utility offering power for resale to retail consumers.
- The customer must agree to pass the benefits of the discount through to its eligible consumers within the region served by BPA.



- A customer’s average retail rate must exceed Bonneville’s average Priority Firm power rate by at least 25%.
- The customer’s kilowatt-hour/investment ratio must be less than 100.
- The customer’s consumers/pole miles ratio must be less than 12.



Bonneville collects information from customers each spring to determine eligibility for the LDD. The eligible LDD ranges from a 0.5% to 7% discount based upon the qualifying customer's kilowatt-hour/investment ratio and consumers/pole miles ratio. The discount can be higher than 7% for utilities with net load requirements greater than their Rate Period High Water Marks.

## Irrigation Rate Discount

Since 1942, BPA has provided a discount for eligible irrigation loads in various forms. Unlike the statutory obligation to provide the LDD, BPA is not required by statute to provide the Irrigation Rate Discount, or IRD. Historically BPA has offered power at a lower cost to customers that serve seasonal irrigation loads, typically during summer months and based on the availability of surplus power from the federal system. Providing this lower cost power directly assists the agriculture sector, an economic driver in many rural Northwest communities.

BPA's current Irrigation Rate Discount, or IRD, applies to firm power sold May through September to customers that serve irrigation load. Today, BPA provides approximately \$22 million in annual benefits. Like the LDD, the cost of the IRD is recovered in BPA's Priority Firm power rates. Current eligibility criteria for the IRD are:

- The customer participated in BPA's FY 1997 to FY 2001 summer seasonal product or FY 2007 to FY 2011 Irrigation Rate Mitigation Program.
- BPA serves at least 75% of the customer's Total Retail Load.
- 5% of the customer's total retail load is irrigation load, or the customer's three-year average irrigation load is more than 7,500 MWh.

Loads subject to the IRD are identified in Exhibit D of eligible customers' Regional Dialogue contracts. Eligible customers are required to read irrigation meters each year at the beginning of May and after Sept. 30 and submit the total irrigation load to BPA. At the end of the irrigation season, a true-up is performed. If a customer uses less power than they contracted for, the discount may not apply and the utility will be charged for the difference at the applicable rate.



*Irrigation pump*

For more information, customers should contact their BPA Power Services account executive.