

March 3, 2023

Submitted via email to post2028@bpa.gov

Northwest Requirements Utilities (“NRU”) submits these comments to propose an approach to modifying eligibility requirements associated with the Low Density Discount (LDD) for consideration at the March 21 and 22 workshops. NRU represents the interests of 57 Load-Following customers that hold Network Transmission contracts with BPA. NRU members are located in 7 states across the region and represent roughly 30% of BPA’s Tier 1 load. Of primary importance to NRU members is BPA’s continued ability to offer affordable and reliable power supply and transmission services, and durable contract options that maximize the value of the federal system for the benefit of preference customers. Twenty-six of NRU’s 57 members currently receive the LDD and it is imperative that BPA retains the total, inflation-adjusted value of the LDD in the post-2028 contracts.

The LDD reflects the statutory and historical imperative that BPA support the electrification of rural areas. The LDD is an important discount for small, rural members to adjust for the relatively high cost per customer of providing electricity service, currently providing approximately \$40M in value per year.

As BPA considers its approach to the program in the post-2028 contracts, NRU offers three areas that we recommend BPA consider, as follows:

First, as rural areas change, so should the discount approach. NRU recommends that BPA update the total investment and miles ratios that are used to support eligibility requirements to reflect changes in rural areas. BPA could consider regional definitions of “low densities.” For example, Washington State provides a public utility tax deduction for light and power businesses having 17 or fewer customers per mile of distribution power lines. It applies only to those light and power businesses with retail power rates that exceed the state average power rate. Also, NRU recommends that BPA consider that in some rural areas, utilities are under-grounding lines to avoid wildfire liability and establishing lines as-the-crow-flies to increase efficiency, but having the unintended effect of decreasing line miles. These same systems are still lower density systems.

To respond to the changing nature of low density systems, NRU recommends that BPA require utilities to meet a combination of (1) a kilowatt hour/investment ratio **OR** (2) a consumer/pole miles ratio. This adjustment could also help address the situations identified above where some utilities have higher

investment ratios or higher poles per mile and still meet the intent of the law to support systems with low densities.

Second, instead of eliminating the discount altogether BPA should consider providing an incremental reduction of the discount for customers, such that when the customer exceeds the consumers/mile ratio or applicable investment ratio, the customer could still receive a discount but for a reduced amount. The adjustment would factor into the table below and include a negative percentage discount that could be applied to adjust down a utility’s discount rate.

Recommended incremental reduction to discount

<i>Percentage Discount</i>	<i>Applicable Range for kWh/Investment (K/I) Ratio</i>	<i>Applicable Range for Consumers/Mile (C/M) Ratio</i>
-5.00%	38.9 < X	16.2 < X
-4.50%	38.6 < X ≤ 38.8	15.9 < X ≤ 16.1
-4.00%	38.2 < X ≤ 38.5	15.6 < X ≤ 15.8
-3.50%	37.9 < X ≤ 38.1	15.3 < X ≤ 15.5
-3.00%	37.6 < X ≤ 37.8	14.9 < X ≤ 15.2
-2.50%	37.3 < X ≤ 37.5	14.6 < X ≤ 14.8
-2.00%	37.0 < X ≤ 37.2	14.3 < X ≤ 14.5
-1.50%	36.7 < X ≤ 36.9	14.0 < X ≤ 14.2
-1.00%	36.4 < X ≤ 36.6	13.7 < X ≤ 13.9
-0.50%	36.1 < X ≤ 36.3	12.4 < X ≤ 13.6
0.0%	35.1 < X ≤ 36.0	12.1 < X ≤ 12.3
0.5%	31.5 < X ≤ 35.0	10.8 < X ≤ 12.0
1.0%	28.0 < X ≤ 31.5	9.6 < X ≤ 10.8
1.5%	24.5 < X ≤ 28.0	8.4 < X ≤ 9.6
2.0%	21.0 < X ≤ 24.5	7.2 < X ≤ 8.4
2.5%	17.5 < X ≤ 21.0	6.0 < X ≤ 7.2
3.0%	14.0 < X ≤ 17.5	4.8 < X ≤ 6.0
3.5%	10.5 < X ≤ 14.0	3.6 < X ≤ 4.8
4.0%	7.0 < X ≤ 10.5	2.4 < X ≤ 3.6
4.5%	3.5 < X ≤ 7.0	1.2 < X ≤ 2.4
5.0%	X ≤ 3.5	X ≤ 1.2

Last, at the very least if the above two recommendations are not adopted, if a utility falls outside of eligibility requirements, NRU recommends that BPA consider providing a glide-path to eliminating the discount such that for one rate period the utility would receive half of the discount it had been receiving before reducing to zero in the next rate period.

NRU would be interested in discussing the above ideas with BPA to find a balanced solution to ensure the discount remains valuable for as many low-density utilities as possible, while also generally ensuring that the approach doesn’t inadvertently change the overall financial value of the program. Additionally, if there are any efficiencies that could be gained through the process and administration, NRU is interested in supporting those efficiencies.

Thank you for considering these suggestions. We look forward to discussing the merits of the approaches with you.

Sincerely,

/s/ Tashiana Wangler

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