WELLS RURAL ELEC. CO.
Wells Rural Electric Company
PO Box 365 ● Wells, NV 89835-0365 ● (775)752-3328 ● www.wrec.coop

April 29, 2023

John Hairston
Administrator and CEO

Suzanne Cooper
Senior Vice President of Power Services

Kim Thompson
Vice President of Northwest Requirements Marketing

Submitted via email to post2028@bpa.gov

Dear Administrator Hairston, Ms. Cooper, and Ms. Thompson:

On behalf of Wells Rural Electric Company (WREC), we appreciated the opportunity to have a candid discussion with Bonneville Power Administration ("BPA") during the April 11th Provider of Choice Regional Workshop in Burley, Idaho. To clearly express our workshop comments and policy expectations, we submit the following comments.

WREC was incorporated in 1958 as a not-for-profit rural electric cooperative to provide electricity to consumers in the ranching valleys surrounding Wells, Nevada. WREC has since grown to serve 6,254 accounts held by 4,161 members spanning 10,552 square miles of service territory in Elko, Eureka and Lander Counties in Nevada and in Tooele County, Utah. In addition to relying on Transfer Service to connect our system to the larger Pacific Northwest and Nevada power grids, WREC owns and operates 111 miles of overhead transmission voltage powerline, 102 miles of underground distribution voltage powerline and 1,204 miles of overhead distribution voltage powerline, totaling 1,417 miles, to serve its members.

Although our robust and growing system size might indicate otherwise, WREC's sparsely populated service territory is almost entirely comprised of low to moderate income communities. The attached median household income map clearly illustrates the vast difference in income for the 52% of our residential membership who live at the eastern edge of our service territory to that of Elko and Spring Creek, the communities that house the workforce for our large mining loads. It is a delicate balancing act to maintain the sustainability of our large deregulated industrial loads while ensuring that those loads don't increase rates for residential members, most of whom are geographically isolated from the positive economic impacts of those large industrial operations. Rate stability is crucial to maintaining this balance. Increasing the amount of Tier 2 product WREC is required to purchase to meet our growing industrial loads would significantly reduce rate stability. Should our existing contract customers choose to obtain their own electric resource through the Nevada Revised Statue 704B process it would, at a minimum, expose WREC members to a much larger share of WREC's monthly operating expense.

Along with the sentiments expressed at the Burley Workshop by Ken Dizes of Salmon River Electric, Jim Webb of Lower Valley, Michael Darrington of United Electric and, Brad Gamett of Lost River, WREC fully supports the Northwest Requirements Utilities (NRU) system size, allocation, and augmentation proposal (the "NRU Proposal"), which NRU submitted to the Bonneville Power Administration on February 8, 2023. WREC expects to continue to experience load growth and would benefit from an even larger Tier 1 system size but we appreciate the consensus NRU negotiated and recognize that such deviations could negatively affect other preference customers and upset the delicate balance that the NRU Proposal strikes. We believe that a 7500 aMW baseline Tier 1 system size would achieve the most equitable rate for all PF customers, and more importantly, the rate stability that is critical for all public power utilities.

WREC appreciates BPA's commitment to continue to act on behalf of transfer customers to ensure that the quality of transmission service is consistent with the established contracts and tariffs. BPA's revised proposal to roll into the Tier 1 cost pool the costs of transfer service for non-federal resources only for "physical, local" resources located in the balancing authority area (BAA) in which the transfer load is located, is a step in the right direction but still doesn't provide WREC with any "real" solutions for Tier 2 resources. Transmission congestion prohibits the development of any large-scale local generation, and as stated by Bryan Case of Fall River Electric at the Burley workshop, building a 3-4 MW firm resource is not feasible. Not rolling the transfer cost of non-federal resources into the PF rate nor allowing for system augmentation leaves WREC with zero options for meeting our load growth requirements. Direct assignment of transfer costs would ensure that power cannot feasibly be generated locally at a competitive market rate nor could WREC purchase power at a competitive market rate. The only way WREC would be able to provide a competitive industrial retail rate would be to subsidize that rate at the expense of our underprivileged residential members who already pay some of the largest residential rates in the region.

For some utilities, setting 2026 as the index year provided too much uncertainty. Others don't believe 2023 allows enough time for their members to rebound from the severe economic conditions that they are currently experiencing. For WREC, it only exacerbates our lack of Tier 2 options. WREC works closely with our three industrial members to ensure that we can accurately forecast their loads and work to purchase power on their behalf at the best possible rate. The mining industry, not unlike the electric industry, is heavily regulated and dependent on several federal agencies for permitting. Often, and beyond anyone's control, mining permits are delayed, pushing projects out for years. Nevada Gold Mines' Goldrush project is one of those delayed projects. Originally slated to come into full production in 2023, Goldrush now isn't expected to energize until 2026. Under the BPA proposed policy, this increased load will be excluded from WREC's Tier 1 allocation at the continued expense of our members even though it will be online well before Post 2028 contracts go into effect. Without system augmentation, WREC needs BPA to allow for some flexibility when setting CHWM to allow for this contract and credit secured/take or pay load.

WREC supports BPA maintaining a comparable Irrigation Rate Discount (IRD). WREC has always passed this discount directly on to our irrigators as a billing credit. Each spring, we host an irrigator's workshop where we explain aspects of their bill, including their irrigation mitigation credit. We also discuss other topics such as irrigation technologies, energy efficiency rebates, current affairs, and political pressures. As a result, this group of members tends to be the most engaged subsection of our membership. The discontinuation or reduction of the IRD would obviously be very detrimental to WREC's irrigators who must remain competitive in a challenging interstate market.

For WREC to continue to provide our members with affordable electric service, we need BPA policy to allow for either a larger system size or the bundled cost of all transfer service, and ideally both, as well as the continuation of the Irrigation Rate Discount. We would welcome an opportunity to discuss or clarify any of the information provided.

Respectfully submitted,

Clay R Fitch
CEO

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