



**Lost River Electric Cooperative, Inc.**

P. O. Box 420 • 305 Pine Street • Mackay,  
Idaho 83251-0420 Telephone (208)588-3311 •  
FAX (208)588-3038 • Office@LRECOOP.com

May 26 , 2023

Submitted via email to post2028@bpa.gov

John Hairston  
Administrator and CEO

Suzanne Cooper  
Senior Vice President, Power Services

Kim Thompson  
Vice President, Northwest Requirements Marketing

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

On behalf of the Board of Directors and membership of Lost River Electric Cooperative, Inc. (LREC), I submit the following comments regarding the post 2028 Provider of Choice (PoC) concept proposals, as they have been presented. LREC offers sincere gratitude for the opportunities which the Bonneville Power Administration (BPA) has made possible for customers to both interact with staff through in-person and online workshops, and to provide formal comment. LREC is a load-following, full-requirements customer. LREC has only recently exceeded its Regional Dialogue contract high water mark (CHWM) allocation and will begin Tier 2 load service in the BP-24 rate period.

LREC plans to continue as a BPA wholesale power customer through the Provider of Choice contract period.

As BPA develops the PoC draft proposal, LREC trusts that BPA will lend consideration to its customers' feedback relative to the impacts to its diverse and geographically dispersed customer base, and will conclude with PoC product options that will deliver both equitable rate outcomes and balanced access to the benefits of the Federal Base System. From the LREC perspective, these outcomes were realized to great extent through the current Regional Dialogue Contract tiered rate methodology (TRM) construct. For this reason, LREC supports retaining much of the present TRM product optionality present within Regional Dialogue—including load following and planned products.

Aspects of the Provider of Choice construct that will impact LREC are varied and complex. As such, LREC provides the following comment on several, but not all of the facets of the *Bonneville Power Administration Provider of Choice Concept Paper* (July 2022) and subsequent

updates as presented in the Provider of Choice April Roadshow presentation. LREC wishes to provide specific comment on the following items:

### **System Size, Allocation and Augmentation**

LREC broadly supports the Northwest Requirement Utilities proposal (“NRU Proposal”) with its support for a fixed Tier 1 system size of 7500 aMW. The NRU Proposal provides a “no worse off” modeled PoC rate impact for all BPA customers as compared to Regional Dialogue contract outcomes. LREC also supports comments submitted by the Above High Water Mark-Group (AHWM-Group) submitted on 05/24/2023, relative to the BPA current PoC system size proposal, and the disproportionate rate impacts to utilities with AHWM load.

In our estimation, the balance provided through the NRU Proposal in large degree constitutes the BPA PoC objective of using “sound business principles” used for setting the appropriate Tier 1 firm power rate. This is accomplished by balancing full access to federal base system (FBS) generation for preference customers and the BPA goal of providing the lowest possible Tier 1 firm power rates. LREC acknowledges the concessions that BPA has made in expressing openness to increasing the original 2022 BPA proposed fixed system size of 7000 aMW to a 7250 aMW fixed system size. LREC anticipates load growth within its own consumer base as well as the BPA customer base collectively due to forecasted growth projections, due to state carbon emission mandates and electrification.

LREC supports a general reset of customer CHWMs transitioning from Regional Dialogue into the Provider of Choice contract term. A provision giving consideration for Regional Dialogue CHWM carryover for large loads lost within the Regional Dialogue contract term (such as mining curtailment) ought to be offered. This provision could offer an impacted utility some insulation from significant Tier 2 load costs if a historically served large load were to come back online.

LREC encourages BPA to convey a more concise and clearer message to its customers regarding encouraging non-federal resource development. With current projections of future load growth, regional generation resources will likely be inadequate to reliably serve load. Resource adequacy and subsequent augmentation, therefore, need to be top BPA priorities moving into Provider of Choice. This would include optimization of current federal resource capacity and promoting the development of non-federal generation resources. Optimally, distributed non-federal resources would relieve allocation constraints on the federal system, reduce limitations on the regional transmission system and would likely reduce the costs associated with NT service. BPA customer utilities need adequate incentive to construct such facilities. A credit for developing these non-federal resources should be afforded to utilities for their development, similar to the proposed retention credit of 50% of the conservation adjustment carryover from Regional Dialogue, rather than simply applying the proportionate generation capacity as a one-to-one reduction to the utility’s base system allocation.

### **Low Density Discount**

With approximately 4 consumers per mile of powerline within its service territory, LREC understands the challenges of operating a rural utility and the relative elevated per-consumer expense associated with distributing energy within the rural utility dynamic. In light of this rural

cost dynamic and under the auspices of the *Northwest Power Act*, LREC supports perpetuation of the Low Density Discount into PoC within a framework similar to that provided for under Regional Dialogue.

### **Irrigation Rate Discount**

LREC strongly supports continuance of the irrigation rate discount (IRD) in the PoC contract period. LREC also supports comments previously submitted by the Northwest Irrigation Utilities to the same end. Though not a statutory obligated rate benefit, the IRD provides substantial benefits to utilities with significant irrigation load. This relief, in part, serves to offset heightened kW-based wholesale charges (i.e. load shaping, demand and transmission) that are exceptionally high for utilities with significant irrigation load. Additionally, these kW-based charges are difficult to shape in that irrigation is seasonal, weather driven and, in turn, offers very little diurnal load-shaping alternatives. Rural utilities with significant irrigation load must also maintain many miles of transmission and three-phase distribution system lines, which further compounds delivery costs to servicing irrigation loads.

### **Transfer for Non-federal Resources**

LREC does not currently source power from non-federal facilities. However, we understand the potential plight of those utilities who do so under the current PoC proposal. LREC further recognizes the collective benefit of effective system augmentation provided by non-federal purchases. LREC supports comments detailed in the letter submitted on 02/24/2023 by the Northwest Requirements Utilities, PNGC Power, and Idaho Falls Power relative to transfer for non-federal resources.

### **Index Year and Weather Normalization for Irrigation**

LREC supports the updated BPA proposal to use 2023 as the Provider of Choice Index Year. Utilizing the 2023 year will preclude to great extent the potential for manipulation of CHWM loads and subsequent PoC CHWMs. Additionally, LREC strongly promotes the use of weather normalized data in calculating Provider of Choice CHWMs for utilities with substantial irrigation load. LREC has witnessed striking year-over-year variation in irrigation loads, with up to 50% declines due to weather cycles. Utilizing weather normalized load data from FY 2018-2022, as currently proposed under updated PoC terms, provides a justified remedial approach to this issue.

Thank you for your consideration.

Sincerely,



Brad J. Gamett  
General Manager/Chief Executive Officer