

Bonneville Power Administration

Proposed Modifications to LDD GRSP for BP-14 Rate Case

J. Low Density Discount (LDD)

1. Application and Definitions

For eligible Customers, as defined in section 2 below, a Low Density Discount (LDD) shall be applied each billing month to the PF-1~~42~~ Composite Customer charge, PF-1~~24~~ Non-Slice Customer charge, PF-1~~42~~ Load Shaping charge, the PF-14 Load Shaping Charge True-Up Adjustment, and PF-1~~24~~ Demand charge. It also applies to eligible Customers under the PF-1~~42~~ Melded rate schedule and the NR-1~~42~~ rate schedule. The LDD shall be applied to only those charges listed in this GRSP II.J.

For Load Following purchases, the applicable discount percentage will apply to all charges for purchases by the Customer under the Tier 1 rates (Composite Customer charge, Non-Slice Customer charge, Load Shaping charge, Load Shaping Charge True-Up Adjustment, and Demand charge). The applicable discount percentage will be adjusted for Above-High Water Mark load, as described in section 6 below.

For Slice/Block purchases, an LDD dollar benefit will be calculated by BPA as though it was a Load Following Customer. BPA will use the Customer's previous fiscal year's load data to calculate an annual LDD dollar benefit amount. This amount will be divided by 12 to derive a monthly LDD dollar credit, which will be applied to the Customer's monthly power bills over the next 12 months. There will be no separate Slice and Block LDD benefits calculated. The applicable discount percentage will be adjusted for Above-High Water Mark load, as described in section 6 below.

The eligible and applicable discount percentages shall be revised annually based on data supplied by June 30 of each calendar year (CY) for the previous calendar year and shall become effective on the following October 1.

The calculation of the ratios below shall be based on calendar year data the Customer provides from its annual financial and operating reports (Rural Utility Services Form 7, similar Cooperative Finance Corporation form or audited financial report). ~~and its annual 861 report to the Energy Information Administration.~~ The annual financial and operating report is and Energy Information Administration reports are to be enclosed with the Customer's calendar year data if not previously submitted to BPA. A Customer's annual 861 report to the Energy Information Administration may be used by BPA to verify the LDD calculation derived using the Customer's annual financial and

operating report. The Customer shall certify that the data submitted is true and correct.

Load acquired by a Customer as a direct result of retail access rights established by Federal, state, or local legislation, and that would not otherwise have been acquired absent such legislation, is not eligible to receive the benefits provided by the LDD. The Customer shall certify that the data submitted does not include such load. The Customer shall not pass the benefits of the LDD to such acquired consumers.

In calculating the ratios below, BPA shall compile the data submitted by the Customer based on the Customer's entire electric utility system in the Pacific Northwest. For Customers with service territories that include any areas outside the PNW, BPA shall compile data submitted by the Customer separately on the Customer's system in the PNW and on the Customer's entire electric system, both inside and outside the PNW. BPA shall apply the eligibility criteria and discount percentages to the Customer's system within the PNW and, where applicable, also to its entire system inside and outside the PNW. The Customer's eligibility for the LDD shall be determined by the lesser amount of discount applicable to its PNW system or to its combined system inside and outside the PNW. BPA, in its sole discretion, may waive the requirement to submit separate data for the Customer with a small amount of its system outside the PNW. Results of the calculations shall not be rounded.

If a Customer does not provide BPA with the requisite information and reports by June 30 of each year for BPA to calculate the K/I and C/M ratios, the Customer shall be ineligible for the LDD effective the following October 1.

If a Customer's data and reports are submitted prior to the June 30 deadline, and a revision is necessary, the Customer must submit the revised data within 12 months of the original submission date to be considered for an adjustment.

(a) The Kilowatthour/Investment Ratio

The Kilowatthour/Investment (K/I) ratio is calculated annually based on the data the Customer supplies by June 30 of each calendar year. The K/I ratio is calculated by dividing the Customer's Total Retail Load during the previous calendar year by the value of the Customer's depreciated electric plant (excluding generation plant) at the end of the previous calendar year.

(b) The Consumers/Mile of Line Ratio

The Consumers/Mile of Line (C/M) ratio is calculated annually based on the data the Customer supplies by June 30 of each calendar year. The C/M ratio is calculated by dividing the Customer's maximum number of consumers within the distribution system, in any one month during the

previous calendar year, by the end-of-CY number of pole miles of distribution lines at the end of the previous calendar year.

Consumers will be the number of consumers, by classification, having a current service connection in December of each year. Residential consumers (seasonal and non-seasonal) should be counted on the basis of the number of residences served. If one meter serves two residences, then two consumers should be counted. If a water heater is metered separately from other appliances on the same premises, the water heater load will not count as a separate consumer.

Security or safety lights, billed to a residential Customer, will not be counted as an additional consumer.

Seasonal consumers expected to resume service during the next seasonal period will be counted during off-season periods as well.

A residence and commercial establishment on the same premises, receiving service through the same meter and being billed under the same rate schedule, would be classified as one consumer based on the rate schedule. If the same rate schedule applies to both the residential and the commercial class, the consumer should be classified according to the principal use.

Consumers for Public Street and Highway Lighting should be counted by the number of billings, regardless of the number of lights per billing.

Distribution lines are defined as lines that deliver electric energy from a substation or metering point at a voltage of 34.5kV or below to the point of attachment to the consumer's wiring and include primary, secondary, and service facilities. (Service drops are considered service facilities.)

2. Eligibility Criteria

To qualify for a discount, the Customer must meet all five of the following eligibility criteria:

- (a) The Customer must serve as an electric utility offering power for resale to retail consumers.
- (b) The Customer must agree to pass the benefits of the discount through to its eligible Consumers within the region served by BPA.
- (c) The Customer's average retail rate for the reporting year must exceed 37.98 mills/kWh, which is 125 percent of BPA's average Priority Firm Power rate.
- (d) The Customer's K/I ratio must be less than 100.

(e) The Customer's C/M ratio must be less than 12.

3. Determination of Eligible Discount Percentage

For each Customer, an eligible discount percentage will be determined using Table D. The eligible discount percentage will be the sum of the two potential discount percentages for which the Customer qualifies, based on Table D. The total eligible discount percentage shall not exceed 7 percent and may be adjusted pursuant to sections 4, 5, and 6 below.

Table D
LDD Percentage Eligible Discount Percentage Table

<i>Percentage Discount</i>	<i>Applicable Range for kWh/Investment (K/I) Ratio</i>	<i>Applicable Range for Consumers/Mile (C/M) Ratio</i>
0.0%	$35.0 \leq X$	$12.0 \leq X$
0.5%	$31.5 \leq X < 35.0$	$10.8 \leq X < 12.0$
1.0%	$28.0 \leq X < 31.5$	$9.6 \leq X < 10.8$
1.5%	$24.5 \leq X < 28.0$	$8.4 \leq X < 9.6$
2.0%	$21.0 \leq X < 24.5$	$7.2 \leq X < 8.4$
2.5%	$17.5 \leq X < 21.0$	$6.0 \leq X < 7.2$
3.0%	$14.0 \leq X < 17.5$	$4.8 \leq X < 6.0$
3.5%	$10.5 \leq X < 14.0$	$3.6 \leq X < 4.8$
4.0%	$7.0 \leq X < 10.5$	$2.4 \leq X < 3.6$
4.5%	$3.5 \leq X < 7.0$	$1.2 \leq X < 2.4$
5.0%	$X < 3.5$	$X < 1.2$

4. LDD Phase-In Adjustment

If the Customer satisfies the eligibility criteria (2.a. through e.) and the calculated eligible discount percentage differs from the existing eligible discount percentage by more than one-half of 1 percentage, the applicable eligible discount percentage will be one of the following amounts:

- (a) the existing eligible discount percentage plus a maximum of one-half percent if the calculated eligible discount percentage exceeds the existing discount.
- (b) the existing eligible discount percentage minus a maximum of one-half percentage if the calculated eligible discount percentage is less than the existing discount.

The foregoing formula will be applied each October 1 until the existing eligible discount percentage is equal to the calculated eligible discount percentage.

The Customer is not eligible to receive any discount, effective each October, if the Customer fails to meet the eligibility criteria in section 2.a. through e above.

5. Additional Adjustment for Very Low Densities

If a Customer's C/M ratio is 3 or less and its K/I ratio is 26 or less, after determination of the eligible discount percentage pursuant to sections 3 and 4 above, an additional one-half percentage shall be added to the Customer's eligible discount percentage, not to exceed a total eligible discount of 7 percent. In subsequent years, the one-half percentage added to the eligible discount percentage pursuant to this section shall not be included when determining the applicable discount percentage pursuant to section 4 above.

6. Applicable Discount for Customers with Above-RHWM Load

A discount is not provided for the costs of power used to serve the Customer's Above-Rate Period High Water Mark load, however, the LDD benefit will be adjusted to be approximately the same as if these costs were included. This adjustment modifies the Customer's eligible discount percentage. The formula used to calculate the applicable discount percentage for eligible purchases on the Customer's power bill during the rate period is:

$$\text{applicableLDD} = \text{eligibleLDD} \times \frac{\text{adjTRL}}{\text{RHWM}}$$

Where:

applicableLDD = the discount percentage to be applied to the Tier 1 charges on a Customer's bill

eligibleLDD = the Customer's eligible discount percentage as computed according to sections 2 through 5 above.

adjTRL = the Customer's Total Retail Load less output of Existing Resources and NLSLs, as determined in the 2011 CHWM Process for the applicable fiscal year

RHWM = the Customer's Rate Period High Water Mark, as determined in the 2011 CHWM Process for the applicable fiscal year

Any Customer with *adjTRL* less than its *RHWM* will have its applicable discount percentage set equal to its eligible discount percentage.

7. Treatment for Joint Operating Entity

The LDD benefit to a JOE will be equivalent to the sum of LDD benefits for all eligible individual members of the JOE. BPA will determine the LDD for the JOE based on each such individual utility member's LDD dollar benefit.