

Low Density Discount (LDD) in the 2007 Rate Case

The Bonneville Power Administration (BPA) is considering some changes in the Low Density Discount (LDD) Rate methodology for FY 2007-2009. The changes are intended to improve equity among customers and simplify administration.

1. **The Retail Rate to PF Rate eligibility threshold.** Both PBL and customers have questioned the effectiveness of the 10% Retail to PF Rate eligibility threshold. PBL is proposing to adjust the ratio to account for the separation of power and transmission rates in 1996 in order to minimize change because the 10% threshold allows utilities with extremely low retail rates to qualify for the LDD.

PBL established this criterion in the 1987 Rate Case so the LDD would meet its intended objective to “avoid adverse impacts on retail rates” caused by a utility’s low system density. PBL is considering changing the criterion by raising the 10% threshold to 25% and basing the difference on the shaped, class average PF rate rather than the applicable costs of BPA purchases. The comparison would be made between the most current completed CY retail rate data and most current completed FY shaped, class average PF rate. This proposed change also simplifies determining eligibility for Slice product purchasers and puts them on the same eligibility basis as other customers.

2. **The definition of “Consumers” (the C in the C/M ratio).** The C/M ratio (consumers per pole mile of distribution line) is the essence of the Low Density Discount. A uniform basis for calculating the ratio is essential to insure equity among customers and simplify administration. The PBL is considering changing from “consumers” to “meters” to better reflect density. The following is being considered for the initial rate proposal:

“The Meters/Mile of Line (M/M Ratio) is determined annually using the data supplied by June 30 for the previous CY. The M/M Ratio is calculated by dividing the maximum number of revenue producing electric meters connected to the distribution system, in any month during the CY, by the end-of-CY miles of distribution line (not circuit miles). Separately metered services for water heating and security lights are not counted as metered services.”

3. **Explicitly define average retail rate.** The PBL has been implementing the LDD using the implicit definition that the retail rate is the quotient of total retail revenues divided by total sales in kWh. The PBL is considering explicitly defining the term in the General Rate Case Provisions. The definition being considered is:

"Average retail rate is equal to Total Retail Sales Revenue divided by Total Retail Sales, both as reported on the LDD data requirements reporting form submitted by the customer."

These data are defined in the Low Density Discount Data Requirements Definitions of Required Information BPA provides to customers with the data requirements reporting form.