



February 10, 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](mailto:post2028@bpa.gov)*

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

Kootenai Electric Cooperative (KEC) submits these comments to express support for the Northwest Requirements Utilities (NRU) system size, allocation, and augmentation proposal (the “NRU Proposal”), which NRU submitted to the Bonneville Power Administration (BPA) on February 8, 2023. The NRU Proposal is consistent with the Public Power Council’s (PPC’s) Framework and Considerations, which PPC presented to Administrator Hairston and other officials from the agency on February 2, 2023. However, the NRU Proposal provides more specific guidance on several issues that will be critical to public power in the post-2028 era.

The NRU Proposal would provide benefits to all preference utilities, whether those utilities are experiencing load growth, have lost loads, maintain relatively flat loads, or have invested significantly in conservation during the Regional Dialogue (RD) contract. Crucially, it produces outcomes which allow all preference customers to be better off than under any of the other proposal being considered in the region.

The NRU Proposal represents a careful compromise between its members and strikes an intentional, equitable balance of benefits for all of Bonneville’s preference customers. Although my utility would prefer and significantly benefit from a larger Tier - 1 system size, a later test year against which load growth is measured, and a full reset of CHWM’s resulting from those loads, we recognize and respect that such deviations would adversely affect other preference customers and upset the balance that the NRU Proposal strikes. In short, the NRU Proposal provides a carefully negotiated compromise position that we, our NRU peers, and many other preference customers can amicably accept.

For these reasons, Kootenai Electric Cooperative supports the delicate balance that the NRU Proposal achieves and respectfully requests Bonneville to incorporate it into its Provider of Choice policy as the basis for post-2028 power supply contracts that will be offered to the region.

For some context regarding our views on these matters, KEC provides electric service to approximately 35,000 customers in North Idaho. Approximately 70% of our load is residential in nature. Many of these customers are retirees living on fixed incomes and 41% of all households in North Idaho meet the criteria for being Asset Limited, Income Constrained, and Employed (ALICE). By definition, these are households who earn incomes marginally above the US poverty level but face financial obstacles which make it impossible to consistently cover

the basic costs of living. In turn, they have no financial reserves and are one unplanned financial expenditure from poverty. Yet, they do not qualify for financial assistance.

Since the inception of the Regional Dialog Contract, the Inland Northwest, and our service territory around Coeur d'Alene Idaho in particular, has experienced robust growth primarily attributable to residential in-migration and small commercial development. By 2025, this growth in load will result in 22 aMW of AHWM requirements which will account for 30.2% of our net requirements. Only 4 other preference customers of BPA will have a greater percentage of their requirements not served by Tier – 1 resources. Notably, none of this load growth is attributable to New Large Single Loads.

As with most utilities, KEC has an obligation to serve those desiring electric service. The load these new customers place on the system increases the amount of AHWM requirements KEC must secure. Given the size of our utility, we are not well positioned to effectively or competitively develop our own resources to serve this load. This perspective has been painfully gained through direct experience. Given this, we must secure this power from the market at prices that are, and will likely remain, well above that of the Tier – 1 system. This, coupled with the requirement that all customers of the same class regardless of when they connected to the system must be charged the same rate, has created enormous rate pressure on all of our customers. In January of 2023, we increased our retail rates by 6.9% to cover the incremental costs of purchasing power needed to serve our AHWM requirements.

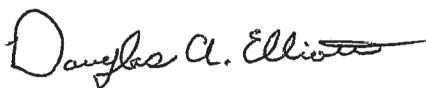
The growth attributable to in-migration has created considerable pressure on the cost of housing leaving many who are native to our area unable to afford those mounting costs. The cost of purchasing power at rates well above those available to other communities that have not experienced such growth unfairly compounds those pressures.

While KEC recognizes that one of the foundational intents of the Regional Dialog Contract was to insulate utilities from rate pressures resulting from the growth of others, we also believe it has produced inequitable, harmful, and untenable outcomes for some. One example of this, which seemed to resonate with the agency in recent PoC workshops, is the treatment of small utilities who have experienced modest load growth. The same cost pressures that impact these small utilities also hold true for medium sized utilities facing (non-NLSL) load growth which they have little control over.

We further recognize that the CHWM's established at its onset of the RD Contracts reflected a fair allocation of the Tier – 1 system at that time. They were not envisioned to endure in perpetuity. A periodic reset is needed to preserve the best, highest, and most equitable access to the Tier – 1 system. While the NRU Proposal, like all others being considered, has elements that leave something to be desired for all utilities considering them, it strikes the right balance for most. For that reason, we can accept it.

Thank you for your consideration of these matters.

Sincerely,



Douglas A. Elliott  
General Manager / CEO