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Elliot Mainzer, Administrator
Bonneville Power Administration
RE: Transmission Segmentation Discussion and Proposed Principles
Via email: techforum@bpa.gov
February 10, 2014

Dear Administrator Mainzer:

Central Lincoln People's Utility District (Central Lincoln) appreciates this opportunity to comment on BPA's segmentation process and proposed segmentation principles. The issue of BPA's segmentation policy is of paramount concern to our utility, and I appreciate your personal attention to this matter. Central Lincoln also supports the comments of Northwest Requirements Utilities (NRU) and urges BPA to adopt the Segmentation principles as proposed by NRU, which we have also included.

One of the primary reasons Congress created BPA was to ensure that the entire Northwest region would have access to affordable electricity. BPA's statutes obligate the agency to "promote the widest possible diversified use of electric power at the lowest possible rates to consumers consistent with sound business principles." In order to meet this objective, BPA has always used a postage stamp rate, which allows all of BPA's public preference customers to receive transmission service at the same affordable price without regard to location or size.

This access to affordable electricity allowed our community to develop and grow, and it continues to be essential to the viability of our local economy. Moreover, due to the nature of our service territory, we have fewer customers to whom we can spread costs. For example:

- Central Lincoln has 24.1 customers for each line mile
- Although Central Lincoln serves portions of several counties, economic statistics are available for its two most populous cities:
 - Newport has a population of 10,017 with 18.7% living below the poverty line.
 - Newport receives power via BPA's 69kv line
 - Florence has a population of 8,484 with 11.9% living below the poverty line.
- Low cost electric power is essential to keep the few industries which are left in Central Lincoln's territory.
 - Central Lincoln's territory also contains a large percentage of retired people living on a fixed income. Any rate increase on these people can be a substantial hardship.
- Central Lincoln maintains a robust system to stand up to harsh coastal conditions and serve rural customers spread out over long distances. A rise in transmission costs would disproportionately affect our customers who are relatively few and far between compared to suburban and urban utilities.

A few of BPA's larger and more urban customers are now advocating that BPA abandon its longstanding segmentation policy for a policy that would slightly benefit those customers proposing alternatives to the extreme detriment of BPA's smallest and most rural customers. However, BPA remains obligated to encourage the widest possible use of power, and the postage stamp rate should be the baseline to determine whether any alternative segmentation proposal meets the widest use obligation. The rate impacts under any alternative proposal must be as good or better *for the entire region* as compared to the current postage stamp rate.

If an alternative proposal would result in rate impacts that would have BPA's more rural and remote customers paying more for transmission service than the rest of the region, and thereby failing the widest use standard, BPA should not consider it, which also means not engaging in time-consuming technical studies. BPA should not spend valuable staff time and resources doing any analytical work that is not supported by a sound legal and policy basis.

Furthermore, BPA should recognize that utilities throughout the region have planned and built their transmission and distribution systems around BPA's longstanding policy of postage stamp rates. Simply put, we developed our utility's plan of service with a reliance on BPA's application of its longstanding segmentation policy to existing facilities.

Additionally, Central Lincoln staff has reviewed BPA's proposed set of segmentation principles. While BPA's principles are helpful, Central Lincoln believes they should be modified in accordance with NRU's Proposed Segmentation Principles, which are attached for BPA's Convenience.

Thank you for this opportunity to comment and your continued involvement on this issue. I also appreciate the excellent work by BPA staff to explain the historical and analytical basis for BPA's current segmentation policy.

Sincerely,

Brandon Hignite
Power Analyst
Central Lincoln PUD

CC: John Saven, Northwest Requirements Utilities

Northwest Requirements Utilities Proposed Segmentation Principles

Date: February 11, 2014

1. Full and timely cost recovery
2. Any segmentation policy must encourage the widest possible diversified use of electric power at the lowest possible rates to consumers consistent with sound business principles.
 - The baseline for whether a proposal achieves this “Widest Use Standard” is a uniform rate.
3. Equitable cost allocation between federal and non-federal uses of the Transmission system
4. Emphasizes a regional perspective
 - Alternatives must consider how costs are allocated and recovered.
 - Proponents of alternatives must demonstrate how the region benefits from the alternative compared to status quo.
 - Helps facilitate customers working together with BPA on complex matters
5. Honor BPA and utility planning and financial decisions based on longstanding segmentation policies
6. Simplicity, understandability, public acceptance, and feasibility of application
7. Avoidance of rate shock
8. Rate stability from rate period to rate period
9. Cost causation
10. Must align with BPA’s planning and financing policies
11. Is not disruptive or delaying to BPA’s IPR and CIR processes