

Flathead Electric

Your Co-op
Community...Integrity...Reliability

2510 U.S. Highway 2 East, Kalispell MT 59901
406-751-4488 or 800-735-8489

121 West 4th Street, Libby, MT 59923
406-293-7122

REFERENCE: 2013FEC-1-145

Via email: techforum@bpa.gov

Tuesday, February 11, 2014

Mr. Elliot Mainzer, Administrator
Bonneville Power Administration

RE: BPA's Segmentation Public Process

Dear Administrator Mainzer:

Thank you for this opportunity to comment on BPA's segmentation process. We appreciate your personal attention to this very important matter.

Flathead Electric Cooperative, Inc. is BPA's largest full requirements load following customer. Established in 1937, Flathead is the second largest electric utility in Montana, serving members in Flathead, Lake, Lincoln, Sanders, Carbon and Park Counties encompassing approximately 1,156 square miles. The largest portion of our service territory is the greater Flathead Valley in Flathead County, spanning north toward Big Mountain in Whitefish and east to Glacier National Park and Essex, and going south into Lake County along the east and west shores of Flathead Lake.

Flathead, Lincoln, and Lake Counties were heavily impacted by the recession with thousands of jobs disappearing. Our service territory includes some of the hardest hit economically in Montana and is struggling to stabilize at a reduced overall employment level.

We continue to question the wisdom of spending significant BPA and public utility staff time on this issue, when there are so many other pressing issues facing BPA. This issue is clearly being pushed by a few customers in the hopes of a small amount of rate savings at the expense of dividing BPA customers and pushing additional costs on small utilities at the fringe of BPA's Transmission Network Segment.

All of Flathead's rate classes are based on the type of service and the characteristics of the load, without regard to high voltage substation proximity. Our members are on equal footing at our cooperative and we believe this principle is equally appropriate for users of the BPA Transmission Network Segment.

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Flathead generally supports the positions expressed by Western Montana Generation & Transmission Cooperative and Northwest Requirements Utilities on this subject. As several general managers made clear at the January 28th meeting, rural areas of BPA's service territory have less density and ability to absorb rate increases than urban areas. 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 transmission rate, which allows all of BPA's preference customers to receive transmission service at the same affordable price without regard to location or size.

It is important to keep in mind that systems connected across BPA's Transmission Network Segment vary greatly depending upon geography and the timing of growth on the customer systems. However, all of these systems were designed to integrate with BPA at transmission voltage, based on BPA's policy at the time. Any change in BPA policy on what is transmission for inclusion in the BPA Transmission Network Segment creates significant issues with the past investment patterns and improvements of both BPA and customer systems.

In Flathead's case, our ratepayers have responded to BPA's existing transmission segmentation-related policies and bought all of the below 34.5 kV Utility Delivery Substations that were connected to our system. Flathead should not be forced into a new Utility Delivery Segment or be forced to pay for an artificial uplift in our base BPA Transmission Network Rate after following BPA's guidance to buy out of the current Utility Delivery Segment.

If you have any questions about these comments, feel free to contact us. Again, we very much appreciate the outreach efforts of BPA staff in this process.

Sincerely,



Mark Johnson
General Manager

CC: Joe Lukas, Western Montana Generation & Transmission Cooperative
John Saven, Northwest Requirements Utilities
Brian Altman, BPA Transmission Account Executive