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JOHN GERSTENBERGER, Manager

February 7, 2014

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

Dear Administrator Mainzer:

Hood River Electric Cooperative [HREC] 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. HREC 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.

A primary reason 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." Historically, BPA has met this objective by always using 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.

Access to affordable electricity stimulated the formation of HREC in the mid-1940s thus allowing our rural, agricultural communities to develop and grow. During the initial build-out of HREC's infrastructure, BPA constructed and continues to own and maintain a mile of 7.2/12.47 KV line crossing land controlled by a then-hostile IOU that did not want HREC to access the BPA Hood River point of delivery. This is a case of BPA literally 'going the extra mile' to achieve its mission and key to HREC's ability to provide reliable service to un-served and underserved rural areas.

Affordable electrical energy continues to be essential to the success and vitality 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:

- At approximately 14 customers per line mile, our consumer density is a fraction of larger municipal systems or PUDs serving more metropolitan areas. Our infrastructure investment and associated operating and maintenance expense per consumer is therefore much greater.
- A significant portion of our service territory is developed as fruit orchards – pears, apples and cherries. Electricity is critical in the refrigeration, storage and packaging of these products. The cost of this energy has a significant effect on how competitive our growers can be in the global marketplace into which they sell. Other countries have much lower labor and environmental costs associated with their agricultural sector so affordable energy can help our growers succeed despite other advantages their competitors may have.

I understand that a few of BPA's larger and more urban customers are advocating that BPA abandon its longstanding segmentation policy for a policy that would slightly benefit those customers to the extreme detriment of BPA's smallest and most rural customers such as HREC. 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, in my opinion, 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 reject it and avoid engaging in associated time-consuming technical studies. BPA should not commit valuable staff time and resources doing 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.

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

Sincerely,



John Gerstenberger  
Manager

CC: John Saven, Northwest Requirements Utilities