

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

February 10, 2014

Dear Administrator Mainzer:

Inland Power 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. Inland Power 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 enclosed.

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 the areas Inland Power serves to experience a degree of development and growth, 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:

- *Inland Power serves only 5 customers per mile of line as opposed to the Washington state utility average of over 40 customers per mile of line.*
- *A substantial number of Inland's customers are low income.*
- *Because of the varied and numerous challenges related to economic development in Inland's service territory, affordable electric rates are critically important.*

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. We developed our utility's plan of service with a reliance on BPA's application of its longstanding segmentation policy to existing facilities. In addition, Inland believes the detailed planning, sizing and various costs incurred for the BPA facilities in question were undertaken without extensive involvement of the local utility or utilities. Accordingly, it is clearly unwarranted to now consider any policy change which would retroactively assign costs to a single utility or a group of utilities when the amount of capacity at a facility is not directly related to or closely matched to the amount of load being served by such a facility. Also, for many of the facilities in question the local utility or utilities were not given an opportunity to offer financing, ownership or construction alternatives that potentially could have lowered the total cost of the facilities. Simply put, it would be inappropriate for a transmission provider to directly assign the cost of facilities to an end user or users after the facilities have been built, rolled into the network and paid for by all network users.

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,



Chad Jensen, CEO

Enclosed: Northwest Requirements Utilities Proposed Segmentation Principles

Cc: John Saven, Northwest Requirements Utilities
Cc: Ken Hustad, BPA Power Account Executive
Cc: Ken Johnston, BPA Transmission Account Executive

Northwest Requirements Utilities Proposed Segmentation Principles

Date: February 10, 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