



A Touchstone Energy® Cooperative 

February 6, 2014

Via email: techforum@bpa.gov

Mr. Elliot Mainzer, Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

Dear Administrator Mainzer:

Re: Transmission Segmentation Discussion and Proposed Principles

Kootenai Electric Cooperative 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. Kootenai Electric Cooperative also supports the comments of Northwest Requirements Utilities (NRU) and urges BPA to adopt the segmentation principles as proposed by NRU.

One of the primary reasons Congress created BPA was to ensure 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.

Because of this, we are able to provide electrical service to all of our rural member-owners at rates comparable to those offered by Avista, an investor-owned utility with which we compete. However, unlike Avista, which benefits from density by operating primarily in more populated areas, the rural and widespread nature of our service territory greatly diminishes our ability to comparably spread the fixed costs of providing service.

Compounding this challenge is the fact that our service territories overlap in the areas where our service density is greatest. Cooperative members in the overlapping service areas depend on natural gas, provided by Avista, as the primary fuel source for heating their homes and businesses. This results in less electrical energy sales per customer, further limiting our ability to spread fixed costs.

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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. As proposed, this change would increase our transmission costs by 65% and would increase the electric bills our members pay by 2.5%. This is in addition to the other rate pressures the Cooperative is already facing and places additional strain on our ability to spread fixed costs.

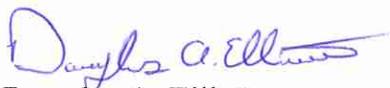
This is contrary to BPA's obligation to encourage the widest possible use of power. The postage stamp rate should be the baseline to determine whether any alternative segmentation proposal meets the widest use obligation. The rate impacts under any alternative proposal must be as good or better *for the entire region* as compared to the current postage stamp rate.

If an alternative proposal results 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 on 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 also appreciate the excellent work by BPA staff to explain the historical and analytical basis for BPA's current segmentation policy.

Sincerely,



Douglas A. Elliott
General Manager

c: John Saven, Northwest Requirements Utilities