



**Lincoln Electric
Cooperative, Inc.**

P.O. Box 628
Eureka, MT 59917
Telephone: (406) 889-3301
Fax: (406) 889-3874
www.lincolnelectric.coop

Your Touchstone Energy® Cooperative 

February 11, 2014

Elliot Mainzer, Administrator
Bonneville Power Administration
Via email: techforum@bpa.gov

Dear Administrator Mainzer:

I want to express my gratitude for your personal involvement in the transmission segmentation kick-off meeting on January 28 and hope you will stay involved in this important policy issue. I cannot overstate the importance of maintaining the current definition of the Network Segment to the member-owners of my cooperative.

Segmentation is a public policy, not a technical issue. Any technical work should be undertaken only after the clear public policy goals are recognized.

We applaud your staff for making an initial effort to draft the Proposed Segmentation Principles to guide agency policy on this issue. These principles should now be revised to make clear that the principle of “encouraging widest possible diversified use at lowest possible rates consistent with sound business principles” is a pre-eminent, screening principle that any proposed segmentation methodology must pass to be considered for further evaluation. That principle is to the embodiment of the Bonneville Power Administration’s (BPA’s) statutory and historical mission and the agency may not compromise on it.

BPA has a long history of extending the transmission system so that all corners of the Pacific Northwest could be electrified. This mission continues as electrification is not just about extending wires but also making electricity affordable for people in both rural and urban areas. As cooperatives, we were born out of the lack of willingness of other utility models to extend service to our homes, farms and ranches. BPA’s role of bringing wholesale power to our utility at postage stamp rates has allowed our rural communities and business to grow and thrive. The need to continue these policies is just as pressing now as it was when the system was first extended to us. BPA’s current segmentation policy along with postage stamp rates is a vital component in accomplishing the principle of widest possible diversified use at lowest possible rates.

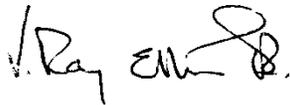
In fact, the only change in segmentation that BPA should consider is rolling in the facilities remaining in the Delivery segment into the Integrated Network. After almost 20 years of substation sales efforts, BPA ought to recognize that the remaining facilities are unsalable. The Delivery Charge rate is becoming a crippling charge and practically doubles the transmission rates from BPA to those subject to the charge. While Lincoln Electric is not subject to the charge and as the charge is not significant to the whole and in the spirit of cooperation I recommend that the charges be rolled into the existing rate even if there is an increase in transmission rates to the group.

The proposed change in segmentation unwinds decades of transmission planning and construction that was undertaken on a least cost basis for the customers that rely on that service. We constructed transmission to match the voltage provided by BPA which was established many decades ago. As the youngest cooperative in the state of Montana we have benefited and continue to benefit from the current segmentation policy and postage stamp rates without which we would not exist. Direct assignment is NOT an option for already installed equipment and should only be used as a tool prior to construction of facilities and be a mutually contractual agreement of the parties.

The members of Lincoln Electric Cooperative have been suffering through this ongoing recession. Three of our largest employers have totally shut down and most likely will not return. Our yearly mean average income is only \$24,000 with unemployment approaching 14%. The proposed transmission segmentation has the potential of raising our rates by 200 to 500 percent. Our 4,100 members could not begin to afford such an increase and it would only exacerbate an already very difficult situation. Creating such a financial hardship so that high density Point to Point customers and power marketers can benefit is unconscionable and goes against the foundational and historical mission of BPA.

Your staff has done an excellent job with the materials researched and presented to date. We will continue to be deeply interested in this issue and are hopeful for an outcome that reflects BPA's mission and maintains the current definition of the Network segment of Bonneville's transmission system and use of postage stamp transmission rates.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Ray". The signature is fluid and cursive, with a large initial "J" and "R".

General Manager
Lincoln Electric Cooperative
Eureka, Montana

Copy to: John Prescott - PNGC