

## **The M-S-R Public Power Agency Comments: Segmentation Principles**

The M-S-R Public Power Agency (“M-S-R”)<sup>1</sup> appreciates the opportunity to comment on BPA’s segmentation stakeholder process. M-S-R recognizes that the segmentation issue is both complex and potentially divisive.

M-S-R supports the proposal for BPA to first complete an analytic segmentation study that follows generally accepted utility practices. The completed analytic study will inform the stakeholder discussion of the various policy guidelines.

M-S-R is generally supportive of BPA’s proposed segmentation principles. M-S-R notes that a number of the principles will naturally favor different outcomes. For example, as past discussions and pleadings have shown, shifting to a segmentation methodology based on cost causation may lead to a different result than one based only on the widest possible use of the system principle. A methodology that balances the principles should lead to an equitable solution, and if implemented at a rational pace, can avoid rate shock. Certainly, any segmentation methodology adopted by BPA will send price signals to the various segments. A segmentation methodology that encourages more efficient usage of the system should help alleviate other rate case issues that BPA and its customers need to address.

In sum, M-S-R supports an analytical study as a first step for BPA and its customers to work towards a balanced, principles based segmentation methodology.

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<sup>1</sup> The M-S-R Public Power Agency is a joint powers agency formed by the Modesto Irrigation District, and the Cities of Santa Clara and Redding, California. Beginning with a 2005 contract, M-S-R obtained contractual rights to the output from some of the first large scale wind resources developed in Washington State. M-S-R and its members currently have rights to 350 MW of wind generation in Washington and Oregon, which its members use to serve their load.