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February 4, 2014

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Administrator  
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P.O. Box 3621  
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*submitted via e-mail to [techforum@bpa.gov](mailto:techforum@bpa.gov)*

RE: Transmission Segmentation Discussion – Proposed Segmentation Principles

Dear Administrator Mainzer:

Mason County PUD No. 3 (Mason PUD 3) appreciates this opportunity to comment on the Bonneville Power Administration's ("BPA") Proposed Segmentation Principles shared at the January 28, 2014 Segmentation Discussion Kick-Off Meeting. Mason PUD 3 has been both a power and transmission customer of BPA since 1948. With much pride we can say that Mason PUD 3's relationship with BPA has helped us provide dependable, low cost energy to the businesses, farms and families of Shelton and Mason County for the last sixty-six years, a circumstance that has been a continued source of growth and opportunity for the community we serve. We have relied on BPA for these services at cost in the past, and expect to do so in the future.

Our experience with BPA is not unique. The list of Northwest communities for which BPA has been and is a fount of development and progress is diverse in character and long in number. For each community on that list, there is a multitude of factors that have contributed to its economic success or failure vis-à-vis other Northwest communities. BPA's transmission rates, however, have never been one of those winnowing factors. This is because since its inception BPA has used a uniform or postage stamp transmission rate under which every BPA customer pays the same rate for each unit of transmission as every other customer irrespective of their size or geographic location. For this reason, BPA's postage stamp rate has historically provided a rare foundation of equal economic opportunity for every community within the region. The region as a whole (i.e., urban and rural, east and west) has prospered and continues to benefit due to this uniform transmission rate construct.

Providing this foundation of shared opportunity irrespective of geography and demography is precisely what Congress intended BPA to do when it directed it to fix and establish rates with "a view to encouraging the widest possible diversified use of electric power at the lowest possible rates to consumers." At its most base level, this standard means that BPA must set transmission rates that ensure the lowest possible rate to the most people. This is exactly what BPA's postage stamp rate has achieved for more than three quarters of a century. BPA's current segmentation methodology effectuates this policy goal.

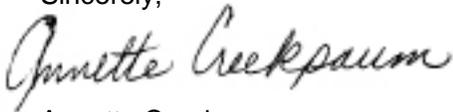
A narrow subset of BPA's customers wants BPA to abandon its long-standing segmentation methodology. This proposed change presents the fundamental policy choice of whether it is still appropriate for BPA's transmission rates to establish a foundation of shared economic opportunity for all Northwest communities by ensuring the lowest possible rate to the most people; or, whether the time has come for BPA to confine such opportunity as may be afforded by its transmission rates to those utilities, communities, and power marketers who by geography and providence have the good fortune of being on the right side of some yet to be determined technical or engineering criteria. Making such a change will result in many Northwest communities being set adrift from the promise of mutual opportunity that they have come to rely on and expect from BPA.

However, Mason PUD 3 firmly believes that BPA has no real alternative but to maintain a regional perspective. Such a perspective is firmly required by BPA's original mission to all Northwest consumers as defined by Congress in BPA's organic statutes, and grounded in the celebrated postage stamp rate policy used by BPA during the entirety of its long history. This has worked to the benefit of not only the community and families served by Mason PUD 3, but also to the benefit of many other communities and families spread throughout the great Northwest. This is as it should be.

In order to maintain the necessary regional perspective, a principle in the workshops must be that any alternative segmentation proposal be evaluated to determine whether it meets the policy objective of ensuring the lowest possible rate to the most people in the Northwest. The technical baseline for any such determination should be the rate results obtained under BPA's current segmentation policy coupled with its reliance on the historic uniform rate construct. An alternative proposal must do as good as or better than the status quo in ensuring the lowest possible rate to the most people or it should be rejected out of hand. This principle will encourage proponents of alternatives to present technical proposals that meet the region's policy objectives, rather than technical offerings that by their operation establish contrary policy outcomes.

Failure to require alternative segmentation proposals to meet this threshold would allow the proverbial technical tail to wag the policy dog. It would also encourage alternatives that would not fix rates "with a view to encouraging the widest possible diversified use of electric power at the lowest possible rate to consumers" as required by Congress. Such proposals would also be unworthy of BPA's 75+ year legacy as the engine of economic opportunity and prosperity for the entire Northwest. We urge BPA to require proponents of change to do better, and we look forward to participating in the future Segmentation discussions.

Sincerely,



Annette Creeksaum  
Manager

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