



**Northwest & Intermountain Power Producers Coalition
Bonneville Power Administration
Transmission Segmentation Process
February 11, 2014**

The Northwest & Intermountain Power Producers Coalition (NIPPC) appreciates the opportunity to comment on the initial phase of Bonneville's consideration of transmission segmentation. NIPPC represents the interests of its members who rely on BPA for point-to-point transmission service and therefore, submits the following comments.

The Coalition recognizes the sensitivities underlying this process and trusts that Bonneville will approach resolution with equanimity. Implementation of the Bulk Electric System definition endorsed by FERC and NERC, which is built upon the Seven Factor Test and driven by the national pursuit of enhanced grid reliability, call for an explicit and technically defensible definition of Bonneville's transmission system, which has been delayed since 1996.

Technical definition should guide these deliberations

NIPPC urges the agency to base this process on technical assessments and consider other implications only after the topology of its transmission system has been thoroughly evaluated. Sound business practice calls for BPA to apply an unvarnished definition to its infrastructure and equitable allocation of costs based on the actual use of its transmission system.

FERC's Seven Factor Test is a promising tool, which if applied to characterizing BPA's system would provide the foundation for further deliberation and ultimately cost causation.¹ Regrettably, BPA's proposed "Segmentation Principles" conflate technical assessment with rate making and other policy considerations.

The process would be better served by beginning with a transparent and standardized definition of what constitutes the transmission system and then move on from there. A fact-based description of how BPA's transmission system

¹ The Seven Factor Test was established by FERC for rate making under Section 201 of the Federal Power Act. Recently, FERC identified it as a reference tool for identifying distribution facilities (or for BPA, "distribution-like" facilities) in the application of the mandatory reliability standards effective July 1, 2014. As such, the Seven Factor Test is a protocol with substantial legal authority behind it.

is used all the way out to remote service territories is essential. The Seven Factor Test will provide the base for latter consideration of rate making and policy.

Cost causation should be based on usage

Point-to-Point transmission customers pay Bonneville for their reservation of its system. Network customers' share of transmission costs is determined by their load i.e., their status as preference customers receiving bulk power from the FCRPS. What has constituted "distribution" to preference customers, i.e., "Fringe" facilities, should be recognized as BPA providing a distribution-like or low-voltage transmission service to these customers.

Only after BPA's transmission facilities are evaluated in terms of how preference customers use them can a discussion of fair and equitable cost allocation begin. The blanket uniform treatment based on the types of customers rather than customers' actual uses – the status quo – is neither fair nor sustainable.

"Rate shock" mitigation should be provided where required

NIPPC is sympathetic to the concern expressed by full requirements customers that revisiting the matter of segmentation since the non-precedential settlement of the issue in 1996 could bring rate shock to some affected utilities.

After undergoing a 13.9% hike in transmission charges in the last rate case, PTP customers recognize the disruption a sudden increase in BPA charges can bring. The Coalition has no interest in seeing remote public utilities and the service they provide their communities compromised.

In our view, the "policy" implications of potential rate shock should be documented *after* the delineation of transmission facilities is completed. Only by following that sequence can a true picture of the potential consequences to smaller utilities be ascertained.

NIPPC supports mitigation in instances of demonstrable deleterious impact through careful staging of cost reallocation.

Among the most promising mechanisms for mitigating impacts to remote service area utilities is to revisit the adequacy of the "low density discount. Section 7.(d)(1) of the Northwest Power Act, the "low density discount" provision, currently allows for discounts up to 5% or for very low densities, up to 7%. This is a logical avenue where larger power customers step in and assist with a transition away from the status quo.²

² Section 7(d)(1) requires BPA to apply, to the extent appropriate, discounts to the rates of customers (e.g., small rural co-ops) with low system densities and high distribution costs due to difficult terrain, remote service areas, or other facts. Legislative History of the Pacific Northwest Electric Power Planning and Conservation Act, March 1981.

Conclusion

NIPPC acknowledges the sensitivities involved with the current re-examination of the nearly 20 years during which BPA has included preference customer “Fringe” facilities within its Integrated Network. Nevertheless, we are hopeful that by basing the process on a factual foundation and only then followed by consideration of rate shock mitigation will a fair and sustainable conclusion be reached.