

Northwest Requirements Utilities
Talking Points for BPA Transmission Segmentation Kickoff Meeting 1/28/14
Comments of John Saven, Chief Executive Officer

Thanks for the opportunity to make this initial presentation on behalf of many of BPA's NT customers. We have a good number of Managers and staff from our utilities that have travelled a great distance to participate in this meeting. I look forward to hearing their views.

We appreciate the hard work BPA staff put into addressing segmentation in the Transmission Rate Case. The conclusions BPA reached were very sound and consistent with the Agency's mission.

Nonetheless, we recognize the discretion the Administrator has to engage the region in discussions regarding segmentation. We believe the outcome of a process that gives fair consideration to BPA's mission, to the long standing framework for regional transmission planning, and uses common sense, is one that we will actively support.

One of the primary reasons Congress created Bonneville was to ensure that the most remote and sparsely populated areas of the Northwest have access to affordable electricity.

Congress codified this objective by obligating Bonneville to "promote the widest possible diversified use of its power at the lowest possible rates" in the Bonneville Project Act and in every subsequent Bonneville enabling statute.

In order to meet this statutory obligation, Bonneville has used a postage stamp rate construct. This ensures that all of Bonneville's customers receive transmission service at the same affordable price without regard to location or size.

The relationship and development of the transmission facilities in the Integrated Network Segment are an outgrowth of policies, contractual agreements, and rate designs that date back decades. To change the rules for cost recovery after much of the Network system has been constructed flies in the face of BPA applying sound business practices.

It may be useful to highlight comparisons between NT and PTP customers to illustrate some of the underlying differences between urban and rural areas, and the necessity of an equal playing field for BPA transmission service.

Comparing Harney Electric in Eastern Oregon to Snohomish County PUD helps demonstrate the potential differing financial impacts of new segmentation proposals for those geographic areas.

- Harney County Electric serves over 20,000 square miles, almost 10 times the size of Snohomish County at 2,090 square miles,
- Snohomish County's population of 717,000 approaches 100 times the population of Harney County at 7,400,
- Harney Electric Cooperative has less than 0.5 distribution customers per mile compared to Snohomish County PUD at over 100.
- In addition to having an attractive density, Snohomish's median household income of \$68,000 is 72% higher than Harney's at \$39,000.
- Harney's population living below the poverty level at 19.1% is nearly double that of Snohomish at 9.8%.
- Harney County's Unemployment Rate of 11.9% is more than double Snohomish County's unemployment rate at 5.7%

Small utilities are more likely to be harmed by Snohomish's previously suggested modifications to BPA's segmentation policy. They are often served at lower voltages and over longer transmission lines than their more urban counterparts. For example, all of Harney's BPA transmission is below 116 kV.

We could tell a unique story with data for each of our members compared to the utilities along the I-5 corridor. Fortunately Congress and the President recognized these differences when they determined the mission for BPA.

We believe the rate impacts of directly assigning facilities under 116 kV would be disastrous for rural areas in general, for a nominal reduction for BPA's more urban customers' rates along the I-5 corridor.

Carving up the Network would throw a wrench into regional planning for BPA transmission improvements and force us to reconsider the whole cost recovery approach to BPA's capital and operating budgets for transmission service.

I can't begin to explain how BPA would fulfill its transmission obligations to provide load service to customers over the South Idaho Exchange if slicing and dicing of the Network were to proceed.

BPA has too many other important transmission and other policy issues on its plate to undertake studies and analysis that lack general support within the region and unnecessarily create extreme acrimony between our urban and rural communities.

In conclusion Bonneville should not support Network transmission segmentation proposals that would violate its Widest Use Standard, or upend Bonneville's longstanding policy of postage stamp rates. BPA should not penalize small and rural customers for being remotely located or having sparsely populated service territories. Direct assignment should only occur by mutual agreement of the parties at the initiation of new transmission service.