

January 31, 2014



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

Re: Segmentation Principles

Dear Administrator Mainzer:

Thank you for the opportunity to comment on this very important issue for Okanogan County Electric Cooperative (OCEC). OCEC is a small cooperative located in rural northern Cascades of Washington state. We have approximately 3,400 members. We receive service from BPA through a BPA- owned transmission line and substation.

There are several major reasons that the proposed change in segmentation methodology is flawed. BPA should not raise its bright line definition of the Integrated Network segment, and should in fact roll in the Delivery segment. BPA should also continue postage stamp transmission rates.

- When BPA extended service to our cooperative in the early 70's, BPA's business model was to build and provide transmission and distribution step-down services to small cooperatives like ours at a postage stamp rate. Changing the segmentation methodology of the transmission line and substation after it has been built is not a sound business practice and would undermine BPA's statutory mission of widest possible use at lowest possible cost.
- In BPA's scan of industry practices, one similar organization that was not examined was Tri-State Generation and Transmission Association (Tri-State).
 - Tri-State is a wholesale electric power supplier owned by the 44 electric cooperatives that it serves. Tri-State generates and transmits electricity to its member systems throughout a 200,000 square-mile service territory across Colorado, Nebraska, New Mexico and Wyoming.
 - Serving approximately 1.5 million consumers, Tri-State was founded in 1952 by its member systems to provide a reliable, cost-based supply of electricity. Headquartered in Westminster, Colo., nearly 1,500 people are employed by Tri-State throughout its four-state service area.

- Tri-State's power is generated through a combination of owned base-load and peaking power plants that use coal and natural gas as their primary fuels, supplemented by purchased power, federal hydroelectricity allocations and renewable resource technologies. Tri-State has an extensive transmission network throughout its four state foot print.
 - With the exception of the fuel mix and ownership, Tri-State has very similar in structure to BPA.
 - **Tri-State employs a postage stamp tariff.** A copy of their current OATT can be found at http://www.oasis.oati.com/TSGT/TSGTdocs/OATT_Jan_2014_clean.Final.pdf
- One of BPA's segmentation principles is "The principle of widest possible use at lowest possible cost should be the pre-eminent principle". This principle (a combination of their principles 2 and 8) should be used as an initial screen for segmentation alternatives. If a segmentation proposal does not pass this principle, it should not be considered as a viable proposal.

In addition, OCEC believes that the delivery segment should be rolled 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 to OCEC and practically doubles our transmission rates from BPA.

Thank you for this opportunity to comment on this very important topic. We hope the outcome is to continue the postage stamp rate methodology and thus continue to reflect BPA historic mission of providing electric service to the rural sections of the Pacific Northwest.

Sincerely;



David Gottula, P.E.

General Manager