



PUBLIC UTILITY DISTRICT NO. 2
OF
PACIFIC COUNTY

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February 11, 2014

Elliot Mainzer
Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208
submitted via e-mail to techforum@bpa.gov

RE: Transmission Segmentation Discussion – Proposed Segmentation Principles

Dear Administrator Mainzer:

Public Utility District No. 2 of Pacific County (Pacific) appreciates the opportunity to comment on the Bonneville Power Administration's ("BPA") Proposed Segmentation Principles shared at the January 28, 2014 Segmentation Discussion Kick-Off Meeting. In conjunction with the proposed principles, BPA staff reviewed transmission rates forecast by rate period, compared industry segmentation practices and reviewed BPA's own historical practices.

Pacific understands that BPA is undertaking this process due to an outcome of the BP-14 rate case in which a few parties advanced an alternative segmentation methodology. Part of BPA's cost allocation for transmission rates involves conducting a segmentation study. This study then identifies specific transmission assets (substations, lines, communication equipment) into seven segment categories. Once a transmission asset is assigned to a segment(s), the total investment and operations costs for each segment are determined. Then, the total investment and operations costs, including depreciation, are allocated in a rate period as a revenue requirement across the segments. Finally, the costs assigned to each segment are used to set various rates for each segment.

BPA, since its inception, has used uniform or postage stamp rates with a goal to encourage the widest possible diversified use of electric power at the lowest possible rates to Northwest consumers. BPA's current segmentation methodology is aligned with this principle. The few parties that advanced alternative segmentation methodologies in BP-14 appear to be advocating a reversed engineered outcome which would benefit a small subset of BPA's customers and cause a large financial burden (rate shock) to many of the Northwest's rural communities.

Pacific encourages BPA to solicit alternatives from these parties that want BPA to abandon its 75 year plus historical practice of postage stamp rates such that those alternatives, first and foremost, meet the “widest possible diversified use of electric power at the lowest possible rate to consumers” test. Any alternative proposal must meet or exceed the current segmentation methodology in ensuring the lowest possible rate to the most Northwest consumers.. The amalgam of BPA’s proposed segmentation principles 2 and 9 is the principle of “first do no harm” with a regional Northwest consumer perspective. Any alternative must first pass this test.

In conclusion, Pacific’s first choice regarding segmentation is that BPA retains its current segmentation and uniform rate policies consistent with its organic statutes. Finally, Pacific looks forward to participating in future segmentation discussions.

Sincerely,

Doug L. Miller, P.E.
General Manager
Sent electronically