



February 11, 2014

Elliot Mainzer
Administrator
Bonneville Power Administration
Submitted via email to: techforum@bpa.gov

Dear Administrator Mainzer:

Thank you for the opportunity to provide comments on the Bonneville Power Administration's ("BPA's") transmission system segmentation workshop process. As you know, the Pacific Northwest Generating Cooperative ("PNGC") is very interested in this process. The definition of the Integrated Network segment determines PNGC's Network Integration (NT) service and its costs. Our members depend on BPA for delivery of wholesale power under our NT contract. BPA must consider any change to this segment with the greatest amount of caution due to the far reaching impacts that changes might have.

The current definition of the Integrated Network takes into account BPA's policy goal of selling facilities under 34.5 kV while meeting its statutory obligations of widest possible use at lowest possible cost to consumers. BPA must articulate clear public policy goals as a benchmark to measure any changes to the Integrated Network (Network) segment. Any technical work should be undertaken only after these public policy goals are clearly articulated.

We offer the following specific comments on the segmentation process so far.

Segmentation Principles

We applaud your staff for making an initial effort to draft the Proposed Segmentation Principles to guide agency policy on this issue. BPA should slightly modify these principles to reflect its statutory obligations.

Section 9 of the Transmission System Act requires the Administrator to set rates "with a view to encouraging the widest possible diversified use of electric power at the lowest possible rates to consumers consistent with sound business principles." BPA should not separate these concepts in segmentation principles but recombine principles 9 (widest possible use) and principle 2 (lowest possible rates to consumers consistent with sound business principles). This combined principle is the embodiment of BPA's statutory and historical mission and the agency should not compromise on it. Such a combined principle would provide a means of evaluating any proposed changes to the Network segment by posing an important set of questions: is the economic use of

electricity widening or narrowing geographically due to the proposed change? Would rural consumers be left behind economically (lowest possible cost to consumers) from the proposed change?

BPA should also sharpen the principles to make clear that some of the principles are mandatory while others can be balanced. BPA's statutory obligations are mandatory. These include "full and timely cost recovery," the revised principle of "encouraging widest possible diversified use at lowest possible rates to consumers consistent with sound business principles," and "equitable allocation between federal and non-federal uses". These three principles should be considered pre-eminent, screening principles that any proposed segmentation methodology must pass to be considered for further evaluation. Any segmentation alternative that passes the three statutory screening principles can then be evaluated using the remaining principles 4 through 8.

Roll-in of Utility Delivery Segment into the Integrated Network segment

The only change in the definition of the Integrated Network that BPA should consider is rolling in the facilities remaining in the Delivery segment into the Integrated Network segment. After almost 20 years of substation sales efforts, BPA must recognize that the overwhelming majority of remaining Utility Delivery facilities are unsalable. The Delivery Charge rate is becoming a crippling charge to those who experience it and is nearly double other BPA transmission costs for some utilities.

No Retroactive Direct Assignment

Some parties have suggested that BPA narrow the scope of the Integrated Network segment and directly assign the costs of those facilities formerly in the Network. We absolutely oppose any retroactive direct assignment. Direct assignment is a tool to be used when parties are considering building new facilities. This tool is in place now in BPA's Direct Assignment guidelines. To apply direct assignment retroactively deprives utilities of the option of alternate builds. Direct assignment should only be undertaken when there is a contractual commitment reached by the parties *prior* to construction of facilities.

Industry Practices Scan

The Industry Practices Scan prepared by your staff demonstrates that BPA's current segmentation policy is not outside the norm. In addition to the investor-owned utilities considered in the scan, BPA should also compare its policy to other Power Marketing Administrations ("PMAs") such as the Tennessee Valley Authority and the Western Area Power Administration. These PMAs are similar to BPA in that they drove the creation of small and rural utilities and allowed access to electricity over vast geographic areas at affordable prices. BPA should also present how these PMAs segment their transmission systems.

Conclusion

BPA has a long history of extending the transmission system, so that all corners of the Pacific Northwest could be electrified. PNGC's rural electric cooperative members have built up their own electrical systems around BPA's policies and planning over decades. BPA's mission continues today, as electrification is not just about extending wires but also about continuing to make electricity affordable for people in both rural and urban areas. As cooperatives, we were born out of the lack of willingness of other utility models to extend service to our homes, farms, and ranches. BPA's role of bringing wholesale power to our utility at postage stamp rates has allowed our rural communities and business to grow and thrive. The need to continue these policies is just as pressing now as it was when the system was first extended to us.

We will continue to be deeply interested in this issue and are hopeful for an outcome that reflects BPA's mission as it undertakes consideration of any changes to the Network segment of Bonneville's transmission system and use of postage stamp transmission rates.

Sincerely,



Aleka Scott

Vice-President for Transmission and Contracts
Pacific Northwest Generating Cooperative