



February 5, 2014

Elliot Mainzer, Administrator
Bonneville Power Administration
RE: Transmission Segmentation Discussion and Proposed Principles
Via email: techforum@bpa.gov

Dear Administrator Mainzer:

Vera Water and Power appreciates this opportunity to comment on BPA's segmentation process and proposed segmentation principles. The issue of BPA's segmentation policy is of paramount concern to our utility, and I appreciate your personal attention to this matter. Vera also supports the comments of Northwest Requirements Utilities (NRU) and urges BPA to adopt the Segmentation principles as proposed by NRU, which we have also included.

One of the primary reasons Congress created BPA was to ensure that the entire Northwest region would have access to affordable electricity. BPA's statutes obligate the agency to "promote the widest possible diversified use of electric power at the lowest possible rates to consumers consistent with sound business principles." In order to meet this objective, BPA has always used a postage stamp rate, which allows all of BPA's public preference customers to receive transmission service at the same affordable price without regard to location or size.

This access to affordable electricity allowed our community to develop and grow, and it continues to be essential to the viability of our local economy. In the current economy it is imperative that we contain costs. We have experienced economically driven load loss during several of years of the current "economic slowdown". This has left us with higher fixed costs to pass through to our customers with every kwh they purchase. Combining this with wholesale costs increasing much faster than inflation and an aggressive IOU surrounding most of our service territory, the inherent competitive advantage of public power is fast disappearing.

A few of BPA's larger and more urban customers are now advocating that BPA abandon its longstanding segmentation policy for a policy that would slightly benefit those customers proposing alternatives to the extreme detriment of BPA's smallest and most rural customers. However, BPA remains obligated to encourage the widest possible use of power, and the postage stamp rate should be the baseline to determine whether any alternative segmentation proposal meets the widest use obligation. The rate impacts under any alternative proposal must be as good or better *for the entire region* as compared to the current postage stamp rate.

If an alternative proposal would result in rate impacts that would have BPA's more rural and remote customers paying more for transmission service than the rest of the region, and thereby failing the widest use standard, BPA should not consider it, which also means not engaging in time-consuming technical studies. BPA should not spend valuable staff time and resources doing any analytical work that is not supported by a sound legal and policy basis.

Furthermore, BPA should recognize that utilities throughout the region have planned and built their transmission and distribution systems around BPA's longstanding policy of postage stamp rates. Simply put, we developed our utility's plan of service with a reliance on BPA's application of its longstanding segmentation policy to existing facilities. For example, when the delivery charge was implemented, we stepped up, borrowed the money and purchased the substations serving our system.

Since that time Vera has invested several hundred thousand dollars in improvements to the BPA system to increase BPA's flexibility and reliability in delivering power to our substations. Investments that were made relying on the application of the existing policy to insure that these improvements were prudent and responsible in the long term.

Thank you for this opportunity to comment and your continued involvement on this issue. I also appreciate the excellent work by BPA staff to explain the historical and analytical basis for BPA's current segmentation policy.

Sincerely,

Vera Water and Power



Kevin M. Wells
General Manager

CC: John Saven, Northwest Requirements Utilities