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Your Touchstone Energy® Cooperative 

# WELLS RURAL ELECTRIC COMPANY

P. O. Box 365  
Wells, Nevada 89835  
(775) 752-3328 x1616

P. O. Box 727  
Carlin, Nevada 89822  
(775) 754-6362 x1616

P. O. Box 3699  
West Wendover, Nevada 89883  
(775) 664-2204 x1616

Elliot Mainzer, Administrator  
Bonneville Power Administration  
RE: Transmission Segmentation Discussion and Proposed Principles

February 6, 2014

Via email: [techforum@bpa.gov](mailto:techforum@bpa.gov)

Dear Administrator Mainzer:

Wells Rural Electric Company (WREC) 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. Wells Rural Electric Company 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. Moreover, due to the nature of our service territory, we have fewer customers to whom we can spread costs. For example:

- With over 11,000 sq miles of service territory, WREC serves ~5400 members with 1519 miles of combined transmission and distribution system power lines. (3.6 members per mile of line)
- Nevada's unemployment rate in October 2013 was 9.3%, down from over 13% in 2011.
- Higher electricity bills could force the residential sector to cut back on essential items like groceries or school supplies. When businesses can't afford electricity in our rural area, they may have to cut valuable jobs and put off buying equipment. For North Eastern Nevada schools and hospitals, rising power costs could mean fewer funds available for updated technology or adding teachers, doctors and nurses.

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.

WREC receives transmission service from BPA via transfer service and is therefore not directly impacted by the proposed redefinition of BPA's segmentation policy with regard to low voltage facilities. However, the proposed policy changes to BPA segmentation policy does shift substantial costs from PTP customers to NT customers and therefore has the potential to increase transmission costs to WREC. Over the years WREC has relied on BPA's 'one-utility principle' consisting of the BPA network and transfer service via IOUs to provide affordable low cost transmission service to the remote and sparsely populated rural areas of Northern Nevada that otherwise would not

have been able to prosper without affordable BPA postage stamp transmission rates. 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 to the people of Northern Nevada with a reliance on BPA's application of its longstanding segmentation policy to existing facilities.

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.

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,

A handwritten signature in black ink that reads "Clay R. Fitch". The signature is written in a cursive style with a large, stylized "C" and "F".

Clay R. Fitch  
Chief Executive Officer  
Wells Rural Electric Company

CC: John Saven, Northwest Requirements Utilities