



**West Oregon
Electric Cooperative, Inc.**

A Touchstone Energy® Cooperative 

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February 5, 2014

BPA Administrator Mainzer
Bonneville Power Administration
PO BOX 3621
Portland, OR 97208-3621

Dear Administrator Mainzer:

Thank you for your personal involvement in the transmission segmentation kick-off meeting on January 28. I hope that you will be able to remain engaged in this important policy issue. The importance cannot be exaggerated of maintaining the current philosophy of Network Segmentation to the member-owners of West Oregon Electric Cooperative (WOEC).

All of us in the region owe so much to the historic accomplishments of the BPA that extended the transmission system so that every corner of the Pacific Northwest could be electrified. This mission continues as reliable electrification is not just about maintaining and extending wires but also that electricity needs to be affordable for people no matter where they live and work. As with most cooperatives, WOEC was born and evolved out of the lack of willingness of other utility models to extend service to the 1,224 square miles we serve. BPA's role of bringing wholesale power to our utility at postage stamp rates has allowed our rural communities and businesses 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.

Clear objectives regarding segmentation need to be identified and established before any technical work should be undertaken. After all, segmentation is a common sense public policy, not a technical issue. BPA staff's initial effort to draft the Proposed Segmentation Principles to guide agency policy on this issue is sincerely appreciated. Now these principles should be revised to make it absolutely clear that the principle of "encouraging widest possible diversified use at lowest possible rates consistent with sound business principles" is the pre-eminent, screening principle that any proposed segmentation methodology must pass to be considered for further evaluation.

In fact, from the WOEC perspective, the only change in segmentation policy improvement that BPA should consider is to absorb the facilities remaining in the Delivery segment into the Integrated Network. After almost 20 years of substation sales efforts it should be clear that the remaining facilities are unsalable. The Utility Delivery Charge rate is becoming a crippling charge to those of us who experience it and practically doubles our transmission rates from BPA.

WOEC's Necanicum delivery point serves as an excellent example. 186 member-owner meters are served in an isolated portion of our service area South of Highway 26, ten miles East of the Highway 101 junction, primarily in Hamlet. BPA transmission delivers 115 kV to a 1 MVA transformer (owned by BPA) on land leased from the City of Seaside, Oregon to our 12.5 kV system. As the circuit is below the 34.5 kV threshold, the Utility Delivery Charge is currently \$6,600 per year. If that charge were distributed solely among the meters served it would amount to about \$34.50 per meter per year, which is almost equivalent to our residential monthly base (meter) charge. Consequently the annual Utility Delivery Charge is absorbed by the entire WOEC 4,000 plus membership. As a co-op we do not differentiate by location to assess charges. The best available information is that the transformer was built in 1940 and has been in place at Necanicum since 1983. For WOEC to purchase from BPA the facility without the old transformer and prudently replace it with a new one would cost us at least \$375,000. Frankly, after four FEMA events resulting in repairs and large capital projects costing WOEC ratepayers almost \$11 million (after Federal and State reimbursements) in the last eight years - we simply cannot afford it. This is even after considering the anticipated increases in Utility Delivery Charges if the current trend of their increase every two years continues. As BPA considers the consequences of any change to its Segmentation, the Necanicum Delivery point case should at least serve as a demonstration of the consequences of increasing the threshold for the Network above 34.5 kV.

The BPA staff has done an excellent job with the materials researched and presented to date. WOEC will continue to be deeply interested in these issues. I am hopeful for an outcome that reflects BPA's mission of widest possible use and lowest possible rates to consumers. We advocate that BPA roll in the Utility Delivery Charge facilities to the Network but, at a minimum, BPA should maintain the current definition of the Network segment of the transmission system, and use of postage stamp transmission rates.

Sincerely,



R. H. Paleck
Vice President West Oregon Electric Cooperative
PNGC Board Member

Copy to:
John Prescott - PNGC