



CONSUMERS POWER INC.

September 10, 2012

Mr. Steve Wright, Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208  
*submitted via e-mail to techforum@bpa.gov*

Dear Administrator Wright:

I am writing to express Consumers Power, Inc.'s (CPI) strong opposition to the transmission network segmentation proposal (Snohomish/PTP proposal) that Snohomish Public Utility District ("Snohomish") and other Point-to-Point (PTP) customers presented at the August 22, 2012 Bonneville transmission rate case workshop. The proposal is contrary to Bonneville's core obligations to its preference customers, especially rural customers, fails to satisfy Bonneville's ratemaking obligations, effectively puts a halt to substation sales from Bonneville to its customers, and, most importantly, could result in a completely unacceptable transmission rate increase to CPI and its member-owners.

We urge you to not include any re-segmentation of the Network Segment in BPA's Transmission Initial Proposal, and to not change that definition as part of the final rates that the Administrator will eventually adopt. Despite being brought forward by, among others, several large, urban public power entities, this proposal is anti-public power, anti-small and rural utility, and in conflict with BPA's most basic mission: to encourage the widest possible diversified use of electric power at the lowest possible rates to consumers.

The Snohomish/PTP proposal would remove from the Network segment transmission facilities put in place by BPA to deliver bulk preference power. Instead the proposal would either 1) directly assign the costs of those facilities to the customers who use them, or 2) allocate the vast majority of those costs to be recovered by the NT rate class, a class that includes most of BPA's small and rural preference utility customers.

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The Snohomish/PTP proposal includes two rate options: Option 1 – Direct Assignment and Option 2, Group Assignment to the NT Class. Under Option 1, Direct Assignment could experience an estimated 30% increase over our FY 2011 Transmission Base and Load Shaping charges. Under Option 2, assignment of identified facilities the NT class, we estimate that NT rates would rise on the order of 40 percent. This proposal violates BPA’s fundamental mission of providing for “wide-use” of power and being the transmission cost levelizer for the region. The Snohomish/PTP re-segmentation and either of the proposed rate treatments are simply unacceptable.

*The Proposal is Contrary to Bonneville’s Core Obligations to its Rural Customers.*

The Snohomish/PTP customers’ proposal would remove facilities from the Network segment by using as the standards for redefining the Network segment the Federal Energy Regulatory Commission’s (“FERC’s”) 7-Factor test, power flow analysis, and the proposed new Bulk Electric System (BES) definition. Historically, Bonneville has employed uniform “postage stamp” transmission rates to help fulfill its statutory mission of extending the benefits of electric power across the Pacific Northwest to its preference customers, including to rural homes and farms that for-profit utilities would not serve because it was too expensive to extend lines to these sparsely populated areas. The Snohomish/PTP proposal would completely upend that mission, as the rate impacts of this proposal on the majority of BPA’s preference customers, especially the small and rural customers, would be so extreme they would threaten our ability to provide service that our ratepayers could afford.

*The Proposal undoes Decades of Electric System Planning*

CPI designed our distribution systems based on the transmission lines and substations that Bonneville has provided for decades at a uniform “postage stamp” rate structure. We built our distribution system based on this partnership and on the lines and substations that BPA provided to bring preference power to our distribution utility. If BPA had not provided these facilities at a uniform postage stamp rate, we would have designed our systems differently and it is probable that fewer customers would enjoy electric service today. To change course now would threaten the viability of our current distribution model and severely impact our ability to serve our members at reasonable rates.

*The Proposal Puts a Halt to Further Substation Sales to Customers.*

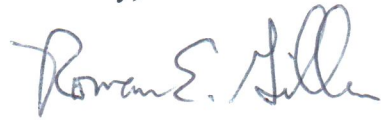
As you know, Bonneville and several customers have been working in good faith for some time to find a way for Bonneville to sell to its customers certain delivery segment substations. BPA has five delivery substations that it would like CPI to purchase. But, why should CPI buy any substations if the definition of the Delivery segment would be changed as proposed by Snohomish/PTP proposal? Just having the Snohomish proposal on the table effectively puts a

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halt to sale of delivery facilities until BPA takes the proposal completely off the table. The Snohomish/PTP proposal creates so much uncertainty in future transmission rates, the definition of the delivery segment, and related policies that it is impossible to go forward with substation sale negotiations at this time.

For these reasons, I urge you in the strongest possible terms to reject Snohomish's segmentation proposal.

Sincerely,

A handwritten signature in cursive script, appearing to read "Roman E. Gillen". The signature is written in black ink and is positioned above the typed name.

Roman E. Gillen  
President/CEO