

Tillamook People's Utility District

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A Customer-Owned Electric Utility

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Tillamook People's Utility District (PUD) offers the following comments on the Integrated Network Segmentation Analysis presentation by Snohomish Public Utility District ("Snohomish") at the Transmission Pre-Rate Case Workshop on August 22, 2012. This proposal was supported by a number of other PTP customer representatives, but the list of actual supporters is still unclear. Tillamook PUD finds the Snohomish proposal completely unacceptable and strongly urges Bonneville to reject it or any similar segmentation concept. The definition Bonneville currently uses for its network segment appropriately and equitably allocates the costs of the Federal transmission system while fulfilling the agency's core mission to encourage the widest possible diversified use of Federal energy and provide the rural communities and farms of the Northwest with electricity.

Snohomish proposes to redefine the Network Segment and allocate the costs of certain facilities to either (1) individual utilities or (2) the NT customers as a whole. In other words, in option 1, Snohomish proposes to reallocate the costs of certain facilities from the Network Segment, a very large rate pool, to individual utilities that are Bonneville's smallest and most rural customers. This is completely contrary to Bonneville's mission, organic statutes, and the way Bonneville and its utilities have set up their distribution systems.

Bonneville's Mission to Provide Electricity to the Rural Northwest

The core purpose of Bonneville, to provide electricity to the rural Northwest, is still valid today. Bonneville is our transmission provider. Many of Bonneville's utilities serve retail customers in low density and difficult-to-serve geographical areas. If Bonneville adopted the Snohomish segmentation proposal, some utilities would experience a 500% transmission rate increase. This is more than rate shock. It would be seriously detrimental to the already struggling economies of the rural communities these utilities serve. Bonneville's history is rife with statements about the importance of providing low cost electricity to rural areas. In vivid contrast, Snohomish's proposal is completely contrary to these objectives. In addition, it is our understanding that BPA's current approach is the same transmission role provided by all other Power Marketing Administrations around the nation and the Tennessee Valley Authority, all of whom use postage stamp transmission rates.

Bonneville's Policies of Uniform Rates

The development of the facilities, the costs of which Snohomish proposes to directly allocate to utilities, is outgrowth of policies, contracts and rate designs dating back decades. These systems were built based on Bonneville's longstanding policies of postage stamp rates for network segment service. Utilities would have built their systems totally differently if BPA charged a different rate for lower voltage facilities as in Snohomish's

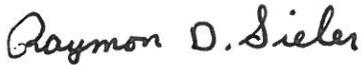
proposal. It would be inherently unfair to now begin directly assigning costs to customers that would not exist but for Bonneville's decades-long policies of uniform rates.

Conclusion

In sum, Snohomish's proposal is incompatible with Bonneville's organic statutes and primary purpose, which is to encourage the widest possible diversified use and electrify the rural Northwest. Adoption of Snohomish's proposal would flout the primary purpose of Bonneville's creation and seriously harm Bonneville's smallest and most rural customers. The Snohomish proposal simply encourages unnecessary protracted battles between differently situated customers rather than the region working collectively to maintain and improve the transmission system. For the foregoing reasons, Tillamook PUD urges Bonneville to reject the Snohomish proposal.

Thank you for the opportunity to comment on the Snohomish segmentation proposal. Please feel free to contact Tillamook PUD with any questions you have about these comments.

Sincerely,



Raymon D. Sieler
General Manager