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September 11, 2012

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 Clearwater Power Company's (Clearwater) opposition to the transmission network segmentation proposal (Proposal) that Snohomish Public Utility District 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 could result in a significant transmission rate increase to our Members.

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 BPA will eventually adopt. Despite being brought forward by several large urban public power entities, this Proposal is anti-public power, anti-small and rural utility, and is 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 Proposal would either 1) directly assign the costs of those facilities to the utility 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.

The Proposal includes two rate options: Option 1 – Direct Assignment and Option 2 – Group Assignment to the NT Class. Under Option 1, Clearwater could experience an estimated 210 percent rate increase over our FY 2011 Transmission Base and Load Shaping charges. Under Option 2, the NT class rates would raise an estimated 40 percent. This Proposal violates BPA's fundamental mission of providing for the "wide-use" of power and being the transmission cost levelizer for the region. The Proposal and either of the proposed rate treatments are unacceptable.

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The Proposal is Contrary to Bonneville's Core Obligations to its Rural Customers:

The Proposal would remove facilities from the Network segment by redefining the Network segment using 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. The Proposal would overturn that mission, as the rate impacts on the majority of BPA's preference customers, especially the small and rural customers, would be so substantial.

The Proposal Undoes Decades of Electric System Planning:

Clearwater designed our distribution system based on the transmission lines and substations that Bonneville provided at a uniform "postage stamp" rate. 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 may have designed our systems differently. To change course now could impact our ability to serve our Members at affordable rates.

For these reasons, I urge you to reject the segmentation Proposal. Thank you for your consideration.

Sincerely,
CLEARWATER POWER COMPANY

A handwritten signature in black ink, appearing to read "K. David Hagen", is written over a light-colored rectangular background.

K. David Hagen
General Manager

kdh