

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 Lane Electric Cooperative's 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 BPA transmission rate case workshop. The proposal is contrary to BPA's core obligations to its preference customers, especially rural customers. It fails to satisfy BPA's ratemaking obligations and effectively puts a halt to substation sales from BPA to its customers, and most importantly, could result in a completely unacceptable transmission rate increase to Lane Electric and our member-owners.

I 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 you as BPA Administrator 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 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.

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) Lane Electric could experience a 45% rate increase over our FY 2011 Transmission Base and Load Shaping charges. Under Option 2 (assignment of identified facilities to the NT class) we estimate that NT rates would rise on the order of 40%. Consequently, this proposal would violate BPA's fundamental mission of providing for the "wide-use" of power and being the transmission cost levelizer for the region. The Snohomish/PTP proposal and both proposed rate options are completely unacceptable.

The Proposal is Contrary to Bonneville's Core Obligations to its Rural Customers: The Snohomish/PTP 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, BPA has employed uniform "postage stamp" transmission rates to help fulfill its statutory mission of extending the benefits of electric power across the entire Pacific Northwest to preference customers. This includes benefits for rural homes and farm customers that for-profit utilities would not serve because it was too expensive to extend lines to those sparsely populated areas. The Snohomish/PTP proposal completely ignores that mission and legacy because of the extreme rate impacts that would be felt by ratepayers throughout the region; especially in rural communities. The proposal threatens Lane Electric's ability to provide service to our members that they can afford.

The Proposal undoes decades of electric system planning: Lane Electric distribution system was designed based on the transmission lines and substations that BPA 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 system 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 violate a decades old partnership between BPA and Lane Electric. Worse, it would severely compromise our ability to serve our members at reasonable rates.

The Proposal could Destroy the Value of Past Delivery Substation purchases: As you know, BPA and several customers have been working in good faith for some time to find a way for BPA to sell to its customers certain delivery segment substations. The Snohomish/PTP proposal is particularly offensive to Lane Electric. In 2002 Lane Electric, in good faith, purchased six of its delivery substations from BPA. To now be faced with the potential of an expanded delivery charge which could not be mitigated is distressing and grossly offensive.

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

Sincerely,



Rick Crinklaw
General Manager

cc: D. Ochoa
J. Prescott
A. Scott