



Roseville Electric
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April 4, 2011

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Subject: City of Roseville Comments to WAPA Rate Order No. WAPA-156

The City of Roseville (Roseville) appreciates this opportunity to provide comments to the Western Area Power Administration (WAPA) for the Formal Rates Process. Roseville participated with the WAPA-Sierra Nevada Region (SNR) during the 14 informal rates meeting, a long, but necessary step to expedite the formal ratemaking process. Roseville commends SNR management and staff, in conjunction with representative from the Bureau of Reclamation (Reclamation), for conducting an effective and extremely informative series of meetings to review the history of the Central Valley Project and the current rate structure.

Roseville has a number of contracts and letters of agreement in place for various services provided by SNR. These include an Interconnection Agreement, an Interconnected Operations Agreement, Base Resource agreement, Network Integrated Transmission Services agreement, Displacement of Base Resource program, SNR Renewable Energy Credit program, and the Operations & Maintenance Advanced Customer Funding program. Roseville also participates in the Governance Board and Technical Committee activities associated with the advanced customer funding program.

Roseville supports the following components to SNR's Formal Rates Proposal:

- Power Revenue Requirement: timing of publication, timing of mid-year review, mid-year review threshold to rate changes of \$5 million, and the allocation methodology to preference customers (first preference and base resource);
- CVP transmission: frequency of publication, cost components, and allocation methodology between point-to-point and network integrated transmission service rates;
- Generator Imbalance: creation of a new rate schedule, as proposed, which would not apply to any existing generators currently operating under an Interconnected Operations Agreement;
- Unreserved Use Penalties: creation of new rate schedule, as proposed, which applies only to transmission customers that use [point-to-point] transmission without reservation or in an amount exceeding a reservation.

Roseville supports the proposed rate methodology for Regulation and Frequency Response that establishes a cost-based rate (\$/kW-month) for the contractual bandwidth established under the Interconnected Operations Agreement. Roseville opposes any change that would attempt to incorporate subjective metrics, like the opportunity cost of reserving capacity in lieu of electricity production. The need for Regulation and Frequency Response first manifest from the establishment of the SNR Sub-Balancing Authority Area (SBA), expanded when the California-Oregon Transmission Project was incorporated into the SBA, and is a required feature to maintain the reliable operation of the SBA. All of SNR customers, including those that take exports from the SBA, benefit from the reliable operation of this portion of the electricity system. Therefore, it would be imprudent to layer subjective costs onto a small subset of customers when all SNR customers benefit from the service.

Roseville supports the proposed rate methodology for Energy Imbalance, which charges the greater of 150% of market price or Western's actual costs for negative deviations (under delivery) outside a party-specific contractual bandwidth. Roseville would not oppose amending this language to also charge the greater of 150% of market price or Western's actual costs for positive deviations (over delivery) outside the same contractual bandwidth when the relevant market price is negative, which results in costs when selling excess electricity to the market.

Roseville requests that SNR and Reclamation remain aware that costs associated with the Central Valley Project Improvement Act (CVPIA or Restoration) are threatening to turn SNR's electricity products into uneconomic commodities for some participants. The historic CVPIA revenue requirement allocated to power customers has shown a startling upward trend. A non-binding forecast of costs associated with CVPIA activities planned for fiscal years 2012 and beyond continues the upward trend.

Roseville acknowledges that purchasing/accepting SNR's transmission products and services is an agreement to the terms set forth under the FERC-filed Department of Energy (DOE) Open Access Transmission Tariff (OATT). As part of this FERC-approved tariff, the DOE clearly establishes that costs associated with upgrades to Baseline Reliability Projects facilities—network upgrades...to ensure that the transmission system is in compliance with applicable NERC and MRO Reliability Standards—to meet its native load customers and to meet its firm transmission commitments will be recovered through WAPA's rate recovery method (WAPA OATT, Attachment P, Section 12.2.1 at 169).

Roseville would like to thank WAPA and the SNR staff once again for this opportunity to comment in this forum.

Sincerely,



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