



UTILITIES DEPARTMENT

CITY OF
**PALO
ALTO**

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June 9, 2015

Mr. Subhash Paluru, PhD
Senior Vice President & Regional Manager
Sierra Nevada Region
Western Area Power Administration
U.S. Department of Energy
114 Parkshore Drive
Folsom, California 95630-4710

SUBJECT: 2025 Power Marketing Plan

Dear Mr. Paluru:

The City of Palo Alto (Palo Alto) is pleased to provide you with this letter in support of Western Area Power Administration's (Western) 2025 Power Marketing Plan regarding Central Valley Project (CVP) power. Palo Alto has been a customer of Western's since 1964 and currently receives a 12.3 percent allocation of CVP power from Western. Our power entitlement is an important component of being able to meet our community's greenhouse gas emission reduction goals and electric supply portfolio carbon neutrality objectives. Our ability to meet such objectives in a cost sustainable manner is important to Palo Alto.

Palo Alto supports comments provided to Western by the Northern California Power Agency (NCPA) in support of the 2025 Power Marketing Plan as included in their letter dated June 3, 2015, and provides its own general comments as follows:

1. Base Resource Product

Palo Alto supports a variable Base Resource product contingent on hydrological conditions and other operating constraints as proposed in the Plan and similar to the current Base Resource product; however seeks further clarification including a definition of and possibly a limitation of potential operating constraints. The Plan should also include a commitment by Western to update its assessment of monthly long-term generation given existing and future policy issues, operational constraints and various hydrological scenarios. A clear process for how and when Western shall complete such projections needs to be addressed in the Plan.

Palo Alto views the Base Resource product as a bundled product, which may include, in addition to energy, capacity, environmental and/or renewable energy attributes, resource adequacy, ancillary services and transmission related services. As such the Base Resource product should be modified to include specific product attributes as defined by the appropriate regulatory body.

Further, Palo Alto recognizes the inherent value of CVP power in helping meet California's sustainability goals as more intermittent resources are added to the grid. Palo Alto hopes that Western explores opportunities to enhance the value of Base Resource as part of the Plan, including evaluating the proposed adjustments to CVP power before Base Resource so that value is maximized for all customers.



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2. Term and Termination

Palo Alto supports a thirty year term, provided there is a clear process for terminating should the current contract provision of take-or-pay continue. Such termination provision needs to be included in the Base Resource contract and not be tied to the rate process as is the current case.

3. Rates

Palo Alto supports provisions for providing clarity and transparency in Western's rate adjustment process as they relate to CVP power and included in Western's General Power Contract Provisions. The Plan should articulate a clear process for allocating costs including the allocation of costs associated with offering products and services, such as Custom Products, with consideration given to costs being allocated directly to those customers receiving the direct benefits.

4. Exchange Program

Palo Alto supports the continued offering of the Exchange Program and may choose to participate in the program in the future provided modifications are made for how the program is administered and implemented so that it is equitable to all participants. For starters, the projected cost for participating in the program should not be greater than the projected market value. This may be achieved by capping the rate for hourly exchange energy delivered at a market rate as opposed to the full base resource cost.

5. Resource Pools

Palo Alto's preference is to not develop Resource Pools however if such pools are to be developed, Palo Alto supports the development of small pools for 2025 and 2040 as proposed by Western and in accordance with the comments provided by NCPA.

Palo Alto does not support a proposal whereby the Resource Pools are created by taking a larger share from customers with the largest base resource compared to their load. Additionally, Palo Alto does not support narrowing eligibility criteria for existing customers to only those customers with a base resource to load ratio equal to or less than 25 percent. All existing base resource customers in good standing who are willing and able to receive additional base resource should be eligible to apply to the Resource Pool.

Palo Alto understands that this is the first step in a long process of developing an equitable Plan. We appreciate the opportunity to provide informal comments and look forward to working with Western in the future.

Sincerely,


Valerie Fong,
Director of Utilities

cc: Mr. Randy S. Howard
Ms. Sonja Anderson
Ms. Sandee Peebles