



Redding Electric Utility

TO: Western Area Power Administration
FROM: Redding Electric Utility
SUBJECT: **INFORMAL COMMENTS ON WAPA'S POWER MARKETING 2025 PLAN**
DATE: May 29, 2015

I. INTRODUCTION

Redding Electric Utility (“Redding”) appreciates the opportunity to provide written comments addressing Western Area Power Administration’s (“WAPA”) Power Marketing 2025 Plan (“2025 Plan”). Redding understands that WAPA plans to engage in the more formal process after first discussing the various options with its existing customers. Redding appreciates WAPA pursuing this process as it is important that the 2025 Plan be initially developed in collaboration with the existing customers, who ultimately bear all of the costs associated with WAPA’s base resource program.

It is essential that WAPA maintains its core statutory mission of providing reliable power and transmission to its customers at the lowest possible cost-based rate, consistent with sound business principles, throughout the 2025 application and allocation process.

Redding’s 93,000 customers continuously benefit from Redding’s unique relationship with WAPA. WAPA’s Sierra Nevada Region (SNR) markets the base resource from the Central Valley Project (CVP) hydro system. Redding currently receives over 8% of the CVP’s base resource, which equals roughly 30% of Redding’s power supply. WAPA’s base resource remains the most cost-effective, renewable, and carbon-free resource in Redding’s power supply portfolio.

Redding’s two direct connections with WAPA’s transmission system deliver Redding’s base resource. As a “direct connect customer,” Redding not only receives CVP preference power, but Redding also purchases additional transmission service from SNR’s 230kV transmission facilities to import firm and shaped renewable wind power from the Pacific Northwest. Redding’s long-standing interconnection and contractual rights to SNR’s long-term transmission service is a vital element of Redding’s aggressive investments in renewable resources to meet California’s 33% renewable standard.

II. Redding’s Comments on the 2025 Plan

Redding appreciates WAPA's continued commitment to customer involvement, which has been a cornerstone of the success of the PMA's, and WAPA in particular, since their inception. As shown above, Redding is more than a WAPA preference customer and the structure of the 2025 Plan is critical to Redding's ability to serve its customer base.

Redding appreciates any efforts to improve the cost effectiveness and reliability of the preference power Redding receives from WAPA.

A. Change to a 30-Year Term

Redding appreciates WAPA's proposal to increase the base resource term to 30-years, as long term resource stability is essential for prudent financial planning. That being said, the ever-increasing and fluid nature of the Central Valley Project Improvement Act (CVPIA) costs makes it challenging to consider locking into such a lengthy contract term. If WAPA is able to encourage the Bureau of Reclamation to cap its CVPIA pass-through costs, this additional term would be acceptable without question. However, as the CVPIA pass-through costs exist today, WAPA's rates have recently crept above the market rate. Thus, Redding wants to ensure that any term limit is accompanied by an acceptable exit structure to ensure the customers are not overburdened with unacceptable cost adders. As such, Redding supports NCPA's proposal for WAPA to create a one-year exit strategy.

B. Resource Pool

Redding does not agree with WAPA's proposed Resource Pool structure. Existing customers should not be reduced by 2 percent of their current base resource in 2025, and 1 percent in 2040, without the ability to regain that entire percentage back through the public process, regardless of their percentage of base resource compared to load. WAPA's proposal to only allow existing customers to apply for the 2025 Resource Pool if their base resource is less than 25% of their load is unsubstantiated and lacks legal merit. Redding notes that the regulation cited in WAPA's meeting materials does not apply to the Sierra region.

C. Operational Flexibility

In order to address future operational challenges stemming from the integration of variable energy resources and demand side management, Redding suggest WAPA explore new methods and techniques to provide the customers with additional operational flexibility. Examples may include intra-day and intra-hour schedule change options, increasing regulating reserve capability, and refining the base resource forecast process. The ability to utilize the CVP as an operational asset will be important as part of the overall base resource value in 2025 and beyond.

D. The Need to Prioritize Preference

The long-standing partnership between WAPA and its preference customers is extremely important to Redding and has been for 35 years. WAPA must prioritize its preference customers above all other customer classes. WAPA's enabling statutes require WAPA to grant

priority to preference customers, as expressed in Section 9(c) of the Reclamation Act of 1939, and Section 5 of the Flood Control Act of 1944.

III. CONCLUSION

Redding appreciates the opportunity to provide comments on 2025 Plan. Redding values its relationship with WAPA and looks forward to working with the SNR team as they continue to develop the final 2025 Plan.