Modesto Irrigation District
Water and Power

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August 4, 2016

***Via electronic mail: 2025propplan@wapa.gov***

Ms. Sonja Anderson
Vice President of Power Marketing
Sierra Nevada Customer Service Region
Western Area Power Administration
114 Parkshore Drive
Folsom, CA 95630

**Re: Department of Energy Western Area Power Administration Proposed 2025 Power Marketing Plan, Federal Register Vol. 81, No. 88, May 6, 2016**

Dear Ms. Anderson,

The Modesto Irrigation District (MID) appreciates the opportunity to submit written comments in the Western Area Power Administration's (WAPA) Proposed 2025 Power Marketing Plan (Proposed Plan) public process. MID would like to take the opportunity to reiterate and expand on its conceptual comments that were articulated at the July 12, 2016 public comment forum.

As MID explained, MID has been a long-time Base Resource customer of WAPA. As of 2015 MID's peak load was over 650 MW and the District had about 118,000 electric retail customers. MID's WAPA share of the Base Resource product has always been less than one percent (1%) of the total Central Valley Project (CVP) output. MID submits these comments with the intention of recommending a balanced approach while remaining congruent with the goals of defining the products and services WAPA will offer and the determination of criteria for the marketing and allocation of power starting on January 1, 2025 through December 31, 2054.

**Areas of Comment:**

***Base Resource Allocation and Resource Pools***

Similar to many of WAPA's current Base Resource customers, MID receives less than 1% of the total output from the CVP (MID's Base Resource allocation is 0.48485%). Under the Proposed Plan, a new customer could potentially receive up to 2% of the Base Resource allocation from the CVP in 2025 if additional customers are not available to split that resource pool of Base Resource product.[1] In consideration of the fact that if there aren't enough new customers to fully subscribe to the 2% offering, the remaining share of Base Resource product that is not allocated to a new customer can then be distributed to existing customers - MID and other existing customers could still potentially receive less than 1% of the Base Resource product if several existing customers sign up to receive a share of unsubscribed Base Resource in the resource pool for new customers.

In addition, there are existing customers that receive more than 100% of their load ratio share of the Base Resource product. In order to facilitate a more equitable approach for the creation of resource pool, MID recommends that WAPA create a Base Resource benchmark for existing customers by using the allocation methodology outlined for applicants receiving a resource pool allocation as described under the Proposed Plan.[2] This allocation methodology requires that the allocation for Base Resource product "will be based on applicant's load during the calendar year prior to the Call for Applications or the amount requested, whichever is less." MID supports establishing this load ratio share benchmark to determine which existing customers Base Resource allocations exceed their load ratio share and subjecting only those excess allocations to the 2% reduction to establish the resource pool. Those existing customers whose base resource allocations fall below the benchmark would not be subject to the 2% reduction and would also be eligible for participation in the newly created resource pool. MID believes that this allocation methodology represents a more balanced approach. Additional specific considerations are as follows.

***Cost Containment of CVP Power***

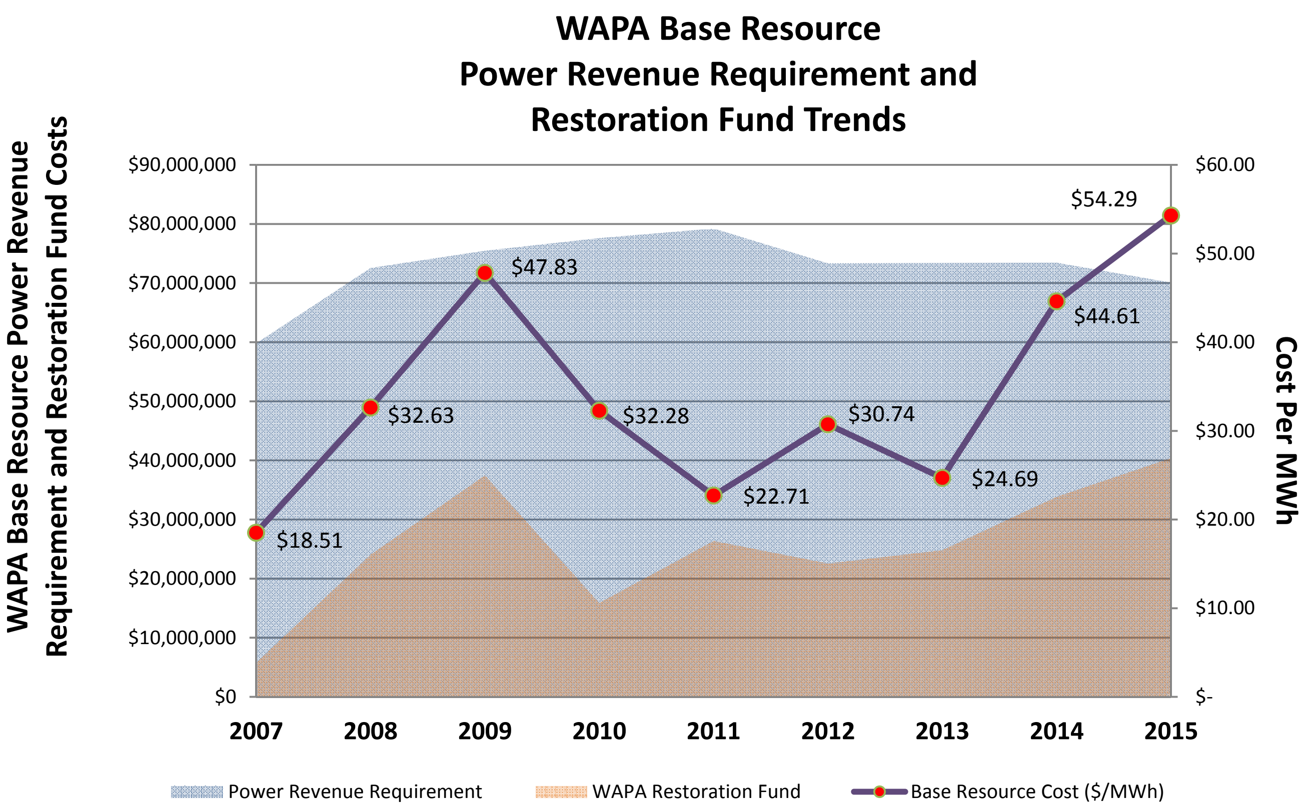
California has been plagued by drought conditions over the last several years which has resulted in the cost of Base Resource to increase significantly on a dollars per megawatt-hour basis. Additionally, there have been several Restoration Fund pass-through costs that have dramatically contributed to the cost of WAPA power that have driven the Base Resource cost to a level above the market price of power in California.

As MID commented during the July 12, 2016 public forum, MID supports the comments provided by entities, such as Silicon Valley Power, that focus on the foundation of cost containment. Over the years MID has paid its share of WAPA Base Resource Power Revenue Requirement and its share of the US Bureau of Reclamation (Reclamation) Restoration Fund. The following figure depicts both of these costs on a historical basis. What stands out immediately is that the costs of the Restoration Fund have become more than a third of the cost for the Base Resource product. While MID understands that WAPA's cost recovery mechanisms for the CVP are based on the foundation of recovery for direct project costs through the power revenue requirement, MID asks that WAPA explore further the Central

[1] On November 23, 2015, MID submitted comments in support of the two resource pools that WAPA suggested creating in the Proposed Plan. MID continues to support the creation of the proposed 2% and 1% resource pools in 2025 and 2040 respectively with a modification to the process that establishes the resource pool and still allows WAPA to meet the required intention of marketing Federal Power for the WAPA Sierra Nevada Region.

[2] Section IV.B.4 "Allocation Criteria," pp 27437, Federal Register Vol. 81, No. 88, May 6, 2016.

Valley Project Improvement Act[3] (CVPIA) costs that are being passed-through by Reclamation before the implementation of the Proposed Plan. Prudent utility rate making requires that sound cost causation principles be applied in all areas when the utility's fiduciary duty is to pay on behalf of its customers.




### *Termination Provisions*

Several customers indicated during the informal and formal comment period that the Proposed Plan suggests a 30-year term with "take or pay" contract provisions. While WAPA's General Power Contract Provisions (GPCP) do have a termination clause associated with "Change of Rates" that is at most a two-year period, it is not clear whether the Base Resource customer can indeed terminate the Base Resource contract. The Proposed Plan should provide this clarification. In addition, some comments focused on the inclusion of a one-year termination notice period provision. While MID understands the driver of the shorter termination notice provision, the clarification of the GPCPs termination provision may provide some relief in the resolution of this item, though it may not be the complete solution. Further, MID would support a process whereby those customers that are intending to terminate their Base Resource contracts make an offering to other remaining Base Resource customers prior to filing a notice to terminate the contract. This would allow the remaining Base Resource customers to elect the level of additional Base Resource product that they would want to take and provide an overall balance of

[3] Title XXXIV of Public Law 102-575.

certainty not only for the remaining customers but also for the entire Base Resource Marketing Program.

***Conclusions***

If a balanced solution is to be reached, then cost containment and cost certainty must be part of the equation so that Base Resource customers are able to better plan on power expenses and are able to better justify budget impacts, and ultimately rates. As to the Restoration Fund costs, MID asks that further exploration be initiated on the cost types and that the benefits to power customers associated with the costs be quantified. If no significant benefits to power customers are associated with certain cost types, then sound cost causation principles would suggest that those costs should not be passed on to power customers. For the purpose of bringing forth a balanced recommendation, MID would recommend that this concept be further explored with Reclamation.

Again, MID appreciates WAPA staff's work on putting together a Proposed Plan that tackles the challenge of providing CVP Project output in a fair and equitable manner for all participants and potential new customers in consideration of WAPA's statutory obligations and First Preference Customer use. We also appreciate the ability we have had to participate in transparent informal and formal comment processes.

Respectfully yours,

__/s/ Martin Caballero___________

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