



CITY OF
**PALO
ALTO**

UTILITIES DEPARTMENT

250 Hamilton Avenue, 3rd Floor
Palo Alto, CA 94301
650.329.2241

September 18, 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) appreciates the opportunity to participate in Western's informal stakeholder process and provide follow-up comments to the proposed Western Area Power Administration's (Western) 2025 Power Marketing Plan ("Plan").

Palo Alto supports the Northern California Power Agency's (NCPA) second round of comments in support of the 2025 Power Marketing Plan. Based on experience to date with regard to the increasingly uncertain nature of Central Valley Project generation and increasing costs, and consistent with NCPA's comments, Palo Alto strongly desires to seek a one year termination provision allowing for a transparent method to terminate participation in the Base Resource Contract, should the cost become unsustainable to our ratepayers. Without a termination provision, a 30 year take-or-pay contract in the current environment will be a difficult commitment for staff to recommend to our governing board.

Additionally, Palo Alto offers the following comments in response to Western's response to Palo Alto's initial set of comments:

1. Base Resource Product

Palo Alto views the Base Resource product as a bundled product, which, in addition to energy, may include capacity, environmental and/or renewable energy attributes, resource adequacy, ancillary services and transmission related services. As such the description of the Base Resource product should be modified to clearly specify product attributes as defined by the appropriate regulatory body. We appreciate Western's acknowledgment to include environmental attributes as part of the product definition. This inclusion will help all customers better assess the value of Base Resource going forward. While we understand the current operational constraints around counting Base Resource for Resource Adequacy purposes, Palo Alto continues to support a product definition which may allow for the inclusion of Resource Adequacy capacity. We are open to working with Western and Reclamation staff to determine how to include such attributes in the definition while not exposing Western to unnecessary regulatory and/or operational risk.



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Further, Palo Alto acknowledges Western's position that the development of an updated long-term generation forecast ("Green Book") is outside of the scope of the Power Marketing Plan and better handled as part of the Customer Coordination Committee process; however Palo Alto maintains its request to have Western commit to developing an updated Green Book or long-term generation forecast as part of the 2025 Power Marketing Plan. While we understand that the long-term generation forecast in the Green Book is merely a representation of how much generation may be available and not a firm commitment, customers need better information than is currently available to help evaluate volume uncertainty and recommend commitments for up to 30 years.

We will continue to work with Western through the Customer Coordination Committee process to update the Green Book data under the current Base Resource Contract and request that Western commit to updating the long-term generation forecast as part of the five-year rate adjustment process.

2. Resource Pools and New Customers

Palo Alto understands the need for, and supports the development of, the proposed Resource Pools at 2% in 2025 and 1% in 2040; however Palo Alto does not support the proposed method of taking disproportionately more Base Resource from larger customers. The disproportionate allocation proposal lacks both clarity in how this method will be implemented and justification as to why larger members should give up a larger and disproportionate share.

3. Deadline for Base Resource Contract Execution

Western staff has produced a tentative schedule for the 2025 Power Marketing Plan under which Western desires to have all Base Resource contracts executed by April 2019 with applications due April 2017. Western staff has not demonstrated why they need contracts executed a full five and a half years before delivery. Palo Alto recommends that contract execution deadlines be moved to as close to delivery as practicable with the assurance that customers are as informed as possible as to rates and costs associated with the 30-year commitment.

Palo Alto thanks Western for its efforts and very much appreciates the opportunity to provide informal comments.

Sincerely,



Valerie Fong,
Director of Utilities

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

