

April 5, 2011

Mr. Charles Faust, Manager
Western Area Power Administration
114 Parkshore Drive
Folsom, CA 95630-4710

RE: Proposed Rates for Power, Transmission and Ancillary Services

Dear Mr. Faust:

Redding appreciates the opportunity to provide additional written comments on Western's proposed rates for the Central Valley Project (CVP), the California-Oregon Transmission Project (COTP), the Pacific Alternating Current Intertie (PACI) transmission, and ancillary services. Your staff has done an excellent job in providing information and answering questions on these important matters. As a result of both the informal rate process and the formal rate process, Western's customers have been presented with a comprehensive view of the products and services provided by Western. During these challenging times, Redding supports Western's "status quo" approach for most of the proposed CVP rates and services. The new services that have been proposed by Western support the development of renewable resources within the CVP footprint.

The new service schedules proposed by Western appear to provide for the safe and reliable integration of renewable resources within the CVP system footprint. While Redding supports the development of new renewable resources, Western must assure its preference customers that the existing reliability of the CVP system is not degraded or comprised. Further, any new facilities that may be needed on Western's system to meet the integration of new renewable resources should be fully studied by Western and the associated costs appropriately allocated to such facilities.

In the February 2004, FRN 04-3819, Western concluded that it could best meet its statutory obligations to the Bureau of Reclamation and best serve its' preference customers through the development of a sub-control area (now referred to as a sub-balancing authority or "sub-BA"). After the decision to become a sub-BA in 2004, Western developed numerous service schedules and associated rates to implement its decision. As a CVP direct-connect customer, Redding takes service from Western under most, if not all of the sub-BA schedules. After years of service, Redding believes that the services provided by Western are necessary for the reliable operation of the sub-BA and that the rates charged for the services are just and reasonable. Therefore, Redding fully supports Western's proposed "status quo" continuation of the current services.

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As mentioned above, Redding supports Western's position – not proposing any changes to its existing formula rate methodologies. However, base resource costs when combined with payments preference customers make under the Central Valley Project Improvement Act (CVPIA) may result in the total cost on a megawatt hour basis that is at or above market. In addition, if proposals under the Sacramento-San Joaquin Delta Reform Act (Act) are implemented, compliance with the Act may create additional costs that could make Western's power rates uneconomic. Such circumstances would bring into question Western's ability to meet its full cost recovery requirements. Therefore, Redding proposes Western consider including some rate mechanism that would be put into effect if CVP power costs become uneconomic. The effect of such a mechanism would be a temporary deferment of some CVP costs until such time that levels of CVP generation output and associated costs are again economic for base resource customers.

Western has made great strides over the last several years to develop the sub-BA and retain the benefits of the CVP system for Western's preference customers in accordance with the decision contained in FRN 04-3819. In conclusion, Redding agrees with Western's proposed rates.

Sincerely,

Paul Hauser
Electric Utility Director

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