



# City of Seattle

Gregory J. Nickels, Mayor

## Seattle City Light

Jorge Carrasco, Superintendent

October 31, 2006

Mr. Steve Wright  
Administrator  
Bonneville Power Administration  
PO Box 14428  
Portland, OR 97293-4428

### **RE: LONG-TERM REGIONAL DIALOGUE POLICY PROPOSAL**

Dear Steve:

On behalf of Seattle City Light (SCL), I appreciate the opportunity to comment on Bonneville Power Administration's (BPA) *Long-Term Regional Dialogue Policy Proposal*. SCL shares BPA's commitment to finding a common path for BPA, its customers and other stakeholders that optimizes BPA's important role in the Northwest. I look forward to continuing to work with you on this matter over the coming months.

Given its comprehensive nature, there are still many areas of the proposal that are vague and need to be worked out in more detail. Likewise, there are areas where we believe the proposal needs further revisions or improvements. SCL's discussion will focus on those matters that either have a direct impact on our customers or carry significant ramifications across the region. These comments are detailed below:

- **Allocate the Federal Base System:**

Overall, SCL supports BPA's recommendation of an allocation of the Federal Base System ("FBS") and the creation of a two-tiered rate structure. As long as BPA establishes a bright line between the two tiers, this approach sends the right cost signals to regional utilities as they undertake future resource planning.

However, it is essential that access to Tier 1 through the High Water Marks ("HWM") reflects a fair allocation of the existing FBS among BPA's customers. For SCL, there are two specific instances where this is not the case:

**Centralia:** While Centralia has not been owned or utilized by SCL and three other public power utilities since 2000, we are still penalized for this outdated resource. These



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utilities should be permitted to remove Centralia from their non-federal resources prior to computing their respective High Water Marks (HWMs) for allocation of Tier 1 resources.

***Priest Rapids:*** The power that was historically purchased from Grant County Public Utility District (“Grant PUD”) should be removed as a non-federal resource prior to computing our HWM Tier 1 allocation due to the FERC-mandated removal of that resource from our portfolio. As the Grant PUD has indicated to BPA, all output from Priest Rapids will be used by Grant PUD, reducing their net requirement to zero.

- **BPA’s Role in Regional Conservation:**

SCL supports efforts that allow BPA to continue encouraging conservation in the Northwest as one of the best ways for the region to meet its future resource needs. This can be achieved in several ways. *First*, those utilities that have already taken steps since 2002 toward developing successful conservation programs should not be penalized through lower HWM calculations. *Second*, in order to make conservation an attractive choice over the period 2007-2011 Bonneville should offer a HWM credit of at least 75 percent and also increase the amount it pays per unit of conservation achieved. *Finally*, BPA should continue its historically strong support of conservation by funding post-2011 efforts through the Tier 1 rates

- **Support of Renewables:**

Like conservation, SCL believes there is an important role for BPA in encouraging research into renewable power in the Northwest and we generally support BPA’s recommended funding commitment to help meet the renewable goals of its customers and the region.

- **Settlement of the Residential Exchange Program:**

SCL views a settlement of the Residential Exchange Program with the investor owned utilities as a key to establishing wider support for a successful Regional Dialogue process. Further, a settlement will help maintain cost certainty through the term of the proposal’s contracts. We hope that all parties can find the common ground needed to achieve this important agreement.

- **Slice Product Flexibility:**

Today’s Slice product offers significant benefits to both BPA and its Slice customers. SCL

supports the separate comments submitted by the Slice customers and would like to emphasize that Slice has been a successful product for SCL and the region as a whole. Slice is consistent with many of the draft Policy goals, such as increased customer self-sufficiency, greater resource integration and shared operating risks. Any revisions to Slice should recognize that the customers pay for a fixed percentage of BPA's costs and should receive a pro-rata percentage of FBS output and services. Additionally, as Slice purchasers accept the risk of fluctuation in federal system output while serving their own loads, BPA should not further limit the flexibility of the product provided to the customers and should include the ability to self-supply ancillary services.

- **Linkage to Transmission Services:**

BPA's customers will face many challenges acquiring resources to meet their own load growth. BPA will need to develop processes for utilities to make meaningful elections between self-acquired new resources and Tier 2 resources that fit with the timelines for securing firm transmission. There are also potential issues, such as nodal scheduling on the grid, which could have impacts on transmission service for Tier 1. BPA will need to work with their preference customers to ensure the FBS is also delivered in a reliable manner given the transmission system capabilities in the future.

- **New Product Design:**

SCL encourages BPA to continue on its path toward the development of new power products that better fit the needs of its preference customers. The Slice product was an early innovation in this direction. It is important that BPA adhere to the philosophy of cost-based ratemaking throughout the product offerings developed for their customers. SCL welcomes opportunities to work with BPA in developing these alternatives.

- **Surplus Revenue and BPA Debt:**

While maintaining the region's overall low rate structure should always remain its top priority, SCL also sees value in BPA taking steps toward lowering its debt obligations to the United States Treasury. BPA should look at years with above normal water and surplus revenues as an opportunity to reduce its debt obligation and create headroom for future borrowing activity for much-needed infrastructure improvements for the region. BPA should weigh the impact on rates associated with lowering debt service and improving infrastructure benefits against the current process and its overall impact on rates.

- **Rate Stability:**

SCL believes rate-setting procedures should be developed that minimize the need to adjust rates within general rate periods. SCL would like to see BPA and their customers identify appropriate cost control measures as a better alternative to facing the year-to-year uncertainty created by various rate adjustments.

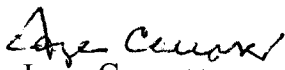
- **Dispute Resolution:**

SCL supports BPA's recommendation for the increased use of alternative dispute resolution mechanisms, such as arbitration or mediation, and sees this as generally a better approach than litigation. Alternate dispute resolution procedures should be defined in a clear manner leaving little ambiguity among various parties regarding when such means can be used and when more traditional litigation should remain as the default remedy for contractual disagreements.

**Conclusion:**

Thank you again for the opportunity to comment on this important proposal. SCL is committed to working with BPA, its other customers and key stakeholders to reach a consensus on the many complex issues addressed in the Regional Dialogue Proposal.

Sincerely,

  
Jorge Carrasco  
Superintendent