



City of Seattle

Gregory J. Nickels, Mayor

Seattle City Light

Jorge Carrasco, Superintendent

January 11, 2008

via email:

Nita Burbank (nmburbank@bpa.gov)

Bonneville Power Administration

RE: Seattle City Light's Initial Comments on BPA's Discussion Paper on Tiered Rates Methodology

Dear Ms. Burbank:

Seattle City Light ("Seattle") appreciates the opportunity to comment on BPA's pre-decisional, deliberative Discussion Paper on the Tiered Rates Methodology. We would like to acknowledge the enormity of the task before BPA, which requires detailed description of a great many complex processes that will be new to BPA staff, as well as the regional public preference customers that will bear the costs and enjoy the benefits of a revolutionary approach to rate design in the Region.

In general, Seattle supports many of the concepts laid out in the Discussion Paper, which will ultimately encourage public preference utilities to acquire or develop their own resources, including conservation, in order to preserve as much of the low-cost benefits of the existing Federal system as practicable. We applaud BPA's effort to create an innovative rate design that will capture the marginal cost of providing service.

Please note, however, that a comprehensive review of the Tiered Rate Methodology ("TRM") proposal requires that utilities also be afforded an opportunity to review the detailed product descriptions that will go hand-in-hand with the new rate design. Seattle would appreciate an opportunity to review the product descriptions in conjunction with the next draft of the TRM later this month.

In addition to the missing product descriptions, Seattle would like to suggest that BPA consider addressing several other omissions in the Discussion Paper in its next TRM draft. These gaps include the following:

1. BPA's capacity acquisition plan requires more explanation. BPA has told the customers that capacity is scarce at times in the Federal System, but BPA does not currently plan to acquire capacity as part of the initial augmentation. The customers would appreciate an opportunity to provide input on BPA's capacity acquisition decisions. What is the scope of the capacity scarcity in the Federal system? What is BPA's plan for acquiring new capacity? Are there any guidelines for, or limits on, capacity acquisitions? How will the costs be assigned?



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Nita Burbank (via email)
January 11, 2008
Page 2

2. The “off-the-top” Federal System contract obligations are rather mysterious and (apparently) unlimited. These off-the-top obligations, which decrease all customers’ High Water Marks while increasing the cost of Tier 1 need to be clearly defined and explained to the public power customers. Will customers have any input on decisions to extend or add to these obligations? Will there be any limits placed on the amount of off-the-top products that BPA Power Services will deliver to BPA Transmission Services? Will BPA Power Services charge BPA Transmission Services market rates? How would those rates be determined?
3. BPA’s augmentation planning process begs for some degree of customer input. The kind of resources that BPA chooses to acquire for augmentation will affect Tier 1 costs and Federal System operations. Will customers be granted opportunities to provide input to BPA regarding the timing, resource type and amounts of augmentation that BPA will acquire under the Regional Dialogue Policy?
4. Cost true-ups and audits go hand-in-hand. If BPA wants to continue to true-up estimated Slice costs to actual on an annual basis, then the Slice customers expect to be able to audits those costs to assure proper accounting treatment. Seattle believes that the Slice audit procedures provided under the current Slice and Block Power Sales Agreement are working well. We see no reason to change this under the Regional Dialogue contract.
5. BPA’s blanket statement that it must preserve the ability to reallocate Tier 2 costs to the PF Tier 1 rate needs more explanation. This statement has caused continued concern at Seattle because Seattle believes that the Tier 2 rate should be and can be designed to assure full cost recovery without the need to affect Tier 1 rates. Nonetheless, if indeed this type of mechanism is necessary for BPA to assure full cost recovery, Seattle would like to have a better understanding of the parameters under which BPA intends to utilize such authority in order to ensure that absolute and practical limits are placed on such authority.

Seattle appreciates the opportunity to comment on this early draft of BPA’s TRM. We look forward to continuing discussion of these important issues with BPA over the next several months. Should you have any questions regarding these comments, please contact Cindy Wright at (206) 386-4533 or Jack Mayson (503) 626-7900.

Sincerely,



Ray Camacho
Power Management Executive
cc: via email: Stuart Clarke, BPA
Sarah Dennison-Leonard

