

UNITED STATES OF AMERICA
U.S. DEPARTMENT OF ENERGY
BEFORE THE
BONNEVILLE POWER ADMINISTRATION

Residential Exchange Program)
Settlement Agreement Proceeding) BPA Docket No. REP-12

DIRECT TESTIMONY
OF

Northwest Requirements Utilities; Public Utility District No. 1 of Cowlitz County, Washington; Eugene Water & Electric Board; Public Utility District No. 1 of Benton County, Washington; the Public Power Council; The City of Seattle; Public Utility District No. 1 of Snohomish County, Washington; the City of Tacoma; Pacific Northwest Generating Cooperative and its Members; Avista Corporation; Idaho Power Company; PacifiCorp; Portland General Electric Company; Puget Sound Energy, Inc.; the Idaho Public Utilities Commission; and the Public Utility Commission of Oregon

JOINT PARTY 5

WITNESSES:

Jorge Carrasco
Tom DeBoer
Marc Hellman
Larry La Bolle
John Prescott
John Saven
Brian Skeahan

SUBJECT OF TESTIMONY:

Proposal of Revised REP Settlement Agreement

April 22, 2011

TESTIMONY OF

Jorge Carrasco, Tom DeBoer, Marc Hellman, Larry La Bolle, John Prescott, John Saven,
and Brian Skeahan

SUBJECT OF TESTIMONY: Proposal of Revised REP Settlement Agreement

1 *Q. Please state your names and qualifications.*

2 A. My name is Jorge Carrasco, and my qualifications are set forth in REP-12-Q-SE-01.

3 A. My name is Tom DeBoer, and my qualifications are set forth in REP-12-Q-JP04-
4 05.

5 A. My name is Marc Hellman, and my qualifications, as corrected, are set forth in
6 REP-12-Q-JP05-01-E01.

7 A. My name is Larry La Bolle, and my qualifications are set forth in REP-12-Q-JP04-
8 01.

9 A. My name is John Prescott, and my qualifications are set forth in REP-12-Q-PN-
10 02.

11 A. My name is John Saven, and my qualifications are set forth in REP-12-Q-NR-01.

12 A. My name is Brian Skeahan, and my qualifications are set forth in REP-12-Q-CO-01.

13 *Q. On whose behalf are you providing testimony?*

14 A. We are providing testimony on behalf the "COU Group," which consists of
15 Northwest Requirements Utilities; Public Utility District No. 1 of Cowlitz
16 County, Washington; Eugene Water & Electric Board; Public Utility District No.
17 1 of Benton County, Washington; the Public Power Council, The City of Seattle,
18 Public Utility District No. 1 of Snohomish County, Washington; the City of

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1 Tacoma; and Pacific Northwest Generating Cooperative and its Members; and the
2 “IOU Group,” which consists of Avista Corporation; Idaho Power Company;
3 PacifiCorp; Portland General Electric Company; Puget Sound Energy, Inc.; the
4 Idaho Public Utilities Commission; and the Public Utility Commission of
5 Oregon.¹

6 These organizations have been jointly designated as Joint Party 5, and are referred
7 to together in this testimony as the “Regional Parties.” The COU Group
8 represents the majority of BPA’s preference customers, both in terms of numbers
9 of entities and amount of load served by BPA. The IOU Group, together with
10 NorthWestern Energy, includes all of the region’s investor-owned utilities. The
11 Regional Parties serve more than 90% of the electric load in the Pacific
12 Northwest² (using that term as it is defined in the Pacific Northwest Electric
13 Power Planning and Conservation Act, 16 U.S.C. § 839 *et seq.*)

14 *Q. What is the purpose of this testimony?*

15 *A.* The purpose of this testimony is to describe proposed technical revisions to the
16 “REP Settlement Agreement,” which has been identified as Contract No. 11PB-
17 12322, and has also been marked as REP-12-E-BPA-11 in this proceeding. These
18 technical revisions have been proposed by the Regional Parties and are attached to
19 this testimony as Exhibit A (the “Revised REP Settlement Agreement”).

¹ NorthWestern Energy, the Citizens’ Utility Board of Oregon, and the Washington Utilities and Transportation Commission, though not parties to this proceeding, also support this testimony.

² References in this testimony to the amount of load served by the Regional Parties include the load served by NorthWestern Energy.

1 Q. *Please describe the Revised REP Settlement Agreement.*

2 A. The Revised REP Settlement Agreement incorporates the REP Settlement
3 Agreement in its entirety (including all exhibits), except for making three
4 revisions to the section entitled “Conditions Precedent to Initial Obligations.”

5 Q. *How does the Revised REP Settlement Agreement revise the REP Settlement*
6 *Agreement?*

7 A. The Revised REP Settlement Agreement would revise section 1.2.2 of the REP
8 Settlement Agreement so that (a) the date by which those wishing to become
9 parties to the settlement must deliver signatures to BPA would be June 3, 2011,
10 rather than April 15, 2011; (b) the minimum aggregate Transition High Water
11 Mark percentage of COUs delivering signatures would be 75%, rather than 91%;
12 and (c) the date by which BPA must give notice with respect to the conditions
13 described in item (i) of section 1.2.2 would be June 6, 2011, rather than April 25,
14 2011.

15 Q. *Why have the Regional Parties decided to revise section 1.2.2 of the REP*
16 *Settlement Agreement?*

17 A. When BPA announced, on April 15, 2011, that it had obtained signatures of
18 COUs with an aggregate Transition High Water Mark percentage of 81.5%
19 (which was lower than the threshold specified in Section 1.2.2 of the REP
20 Settlement Agreement in its current form), the Regional Parties met to evaluate
21 whether there was a way to still move forward with the REP Settlement

1 Agreement, given that there was such broad regional consensus supporting the
2 REP Settlement Agreement.

3 *Q. Why do the Regional Parties propose to set the threshold COU Transition High*
4 *Water Mark percentage at 75%?*

5 A. The COU Group is confident that, even in the short time between now and June 3,
6 2011, its members can secure signatures from a substantial majority of BPA's
7 public power customers – more than enough to reach the 75% threshold. All of
8 the Regional Parties are optimistic that the actual percentage could be
9 significantly higher than 75%. While we had hoped to achieve a level of COU
10 participation closer to 91% by the initial signature deadline of April 15, 2011, we
11 consider it remarkable that, when viewed on a regional scale, we have achieved
12 the level of support we now have. We consider this threshold to reflect broad-
13 based support by BPA's public power customers and, when combined with the
14 IOUs, public utility commissions, and Citizens' Utility Board, to demonstrate
15 broad-based regional support.

16 *Q. Why is this remarkable?*

17 A. We cannot recall any other circumstance in which the public and private utilities
18 serving more than 90% of the regional load have come together in a common
19 cause. This is one of the reasons we believe so strongly that we are doing the
20 right thing. We also hope to change the dynamic for those COUs that might elect
21 not to join the settlement. The COU Group is confident that the settlement will be
22 supported by at least the 75% COU threshold. As a result, the COUs that may

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1 have initially taken no action, or actively opposed the settlement, may want to
2 now reconsider. No longer will their actions have the potential to frustrate the
3 will of the vast majority of BPA's customers to move forward with the settlement.
4 If a minority of COUs chooses to oppose the settlement in court, the
5 preponderance of COUs, having entered into the Revised REP Settlement
6 Agreement, will support and defend it.

7 *Q. Why do the Regional Parties support this approach?*

8 A. The Regional Parties have believed from the outset of this proceeding, and
9 continue to believe, that the REP Settlement Agreement is a reasonable
10 compromise that serves the interests of all customers in the region. We think this
11 opportunity for regional peace is too important to let it slip away.

12 *Q. Does this conclude your testimony?*

13 A. Yes, it does.

EXHIBIT A

REVISED REP SETTLEMENT AGREEMENT

This Revised REP Settlement Agreement (“Revised REP Settlement Agreement”) is entered into by and among the Bonneville Power Administration (“BPA”) and the undersigned investor-owned utilities, state public utility commissions, Citizens’ Utility Board of Oregon, consumer-owned utilities, consumer-owned utility associations, and other BPA power customers:

1. As used in paragraphs 2, 3, and 4 herein, the term “Document” means that certain document entitled “REP Settlement Agreement” and identified as Contract No. 11PB-12322, which has also been marked as REP-12-E-BPA-11 in the BPA’s REP-12 proceeding, together with all exhibits thereto.

2. Section 1.2.2 of the Document, “Conditions Precedent to Initial Obligations,” is hereby revised as follows:

- (a) the phrase “April 15, 2011” in item (i) of Section 1.2.2 is revised to “June 3, 2011”;
- (b) the phrase “91 percent” in item (i) of Section 1.2.2 is revised to “75 percent”; and
- (c) the phrase “April 25, 2011” in item (ii) of Section 1.2.2 is revised to “June 6, 2011”;

and no other provision of the Document is revised hereby.

3. The Document, as revised as described in the preceding paragraph, is incorporated into this Revised REP Settlement Agreement by reference, as if set forth fully herein.

4. Each signatory represents that he or she is authorized to enter into this Revised REP Settlement Agreement on behalf of the party hereto for whom he or she signs. For the convenience of the parties hereto, this Revised REP Settlement Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts together constituting the same agreement. If the Administrator executes this Revised REP Settlement Agreement as specified in section 1.4 of the Document as revised and incorporated herein, BPA will promptly deliver to each party hereto a conformed copy of this Revised REP Settlement Agreement in the form of the Document as revised hereby and dated as of the date on which the Administrator executes this Revised REP Settlement Agreement. Each signatory authorizes BPA to reflect such signatory’s conformed signature on the signature pages of such conformed copy.

5. The conformed copy as described in paragraph 4 hereof will, for all purposes, constitute the “REP Settlement Agreement,” and will be binding on the parties hereto according to its terms.

[Signature blocks]