

TESTIMONY OF

Jorge Carrasco, Scott Corwin John Saven, and Brian Skeahan

SUBJECT OF TESTIMONY: Policy Reasons for COU Support of the 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 Scott Corwin, and my qualifications are set forth in REP-12-Q-PP-01.

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

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

6 Q. On whose behalf are you providing testimony?

7 A. We are providing testimony on behalf of Northwest Requirements Utilities;
8 Public Utility District No. 1 of Cowlitz County, Washington; Eugene Water &
9 Electric Board; Public Utility District No. 1 of Benton County, Washington; the
10 Public Power Council, the City of Seattle, Public Utility District No. 1 of
11 Snohomish County, Washington; the City of Tacoma; and Pacific Northwest
12 Generating Cooperative and its Members. These organizations have been jointly
13 designated as Joint Party 2, and are referred to in this testimony as the “Joint
14 COUs.” The Joint COUs represent the majority of BPA’s preference customers,
15 both in terms of numbers of entities and amount of load served by BPA, and we
16 support the proposed Residential Exchange Program Settlement Agreement
17 (“Settlement Agreement”).
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1 Q. *What is the purpose of this testimony?*

2 A. This testimony provides a condensed history of the Settlement Agreement and
3 explains, at a very high level, why we support the Settlement Agreement and
4 believe it makes sense for BPA, BPA's customers, and the residential and small
5 farm customers in the region, all of which are affected by the Residential
6 Exchange Program ("REP").

7 Q. *How did the Settlement Agreement come to be?*

8 A. Parties in the Pacific Northwest have been fighting about the REP for decades.
9 The REP has been a contentious issue in every BPA rate case since 1981. It has
10 been the subject of many decided cases in the United States Court of Appeals for
11 the Ninth Circuit ("Ninth Circuit"). It is the major issue in 56 lawsuits currently
12 pending in the Ninth Circuit. Many regional parties have come together
13 periodically to try to settle the issues surrounding the REP, but until recently, they
14 have failed. Last year a number of parties agreed to submit their disputes to
15 mediation before former U.S. District Judge Layn R. Phillips, and were able to
16 agree in principle to the basic terms they believed would be fair to all interested
17 parties and fully consistent with law. The Settlement Agreement is the contract to
18 carry out the principles agreed upon in the mediation.

19 Q. *From the perspective of the Joint COUs, what is the most significant benefit of the*
20 *Settlement Agreement?*

21 A. Long-term certainty. Electric utilities have long planning horizons to develop and
22 deploy generation and transmission assets required to deliver quality customer
23 service at the lowest reasonable cost. The Settlement Agreement provides long-

1 term certainty for consumer-owned utilities (“COUs”), because they will know
2 how REP costs will affect their future BPA power rates. This helps COUs in their
3 long-term planning processes.

4 *Q. How does the Settlement Agreement provide long-term certainty?*

5 A. The parties that have worked in good faith to negotiate the Settlement Agreement
6 have taken great care to structure terms that are durable, enforceable, and not
7 subject to revision by BPA or others. Equally important, the Settlement
8 Agreement has been designed to fit within the framework of the Northwest Power
9 Act, to give it the best chance of being sustained over time.

10 *Q. Are there other significant benefits the Joint COUs see in Settlement Agreement?*

11 A. Yes, there are many. Among other things, we hope the Settlement Agreement
12 will put an end to the protracted and contentious litigation that has surrounded the
13 REP since its inception.

14 *Q. Why is it important to the Joint COUs to end the current litigation and avoid, if
15 possible, future litigation over the REP?*

16 A. Issues related to the REP, if not resolved through settlement, will be fought out
17 through contested BPA administrative rate proceedings every two years, with the
18 potential to shift large amounts of money between customer groups. BPA’s
19 administrative proceedings will inevitably be accompanied by continued litigation
20 in the Ninth Circuit. The Joint COUs recognize that this dynamic is a significant
21 drain on limited staff resources and attorneys, and diverts management attention
22 from other current and emerging priorities important to the overall welfare of the
23 region and their customers.

1 Q. *What is the significance of the two-year rate case cycle on which BPA is currently*
2 *embarking, beginning with the Fiscal Year (FY) 2012-2013 rate period?*

3 A. The FY 2012-2013 rate period is the inaugural rate period under BPA's Tiered
4 Rate Methodology (TRM). The TRM and the "Regional Dialogue" contracts
5 related to the TRM represent a fundamentally new, more stable model for BPA to
6 conduct its power marketing business. In that context it makes sense for BPA, the
7 IOUs, and the COUs to concurrently develop an agreed-upon long-term, stable
8 model for implementing the REP.

9 Q. *Are there other ways in which you believe the Settlement Agreement benefits the*
10 *region?*

11 A. We believe the stakeholders in the Northwest electric utility industry need to join
12 forces whenever possible to defend common interests related to power supply,
13 transmission, and regulatory practices to help protect the long-term interests of all
14 of our customers. Resolving the contentious and complicated issues related to the
15 REP, and the associated administrative and legal battles that have arisen from
16 them, facilitates regional cooperation on these other vital matters.

17 Q. *Does this conclude your testimony?*

18 A. Yes, it does.
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