ARIZONA MUNICIPAL POWER USERS' ASSOCIATION
POWER USERS'
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Via Email: *WAPAOpsStudy@wapa.gov*

Mr. Darrick Moe
Western Area Power Administration
P. O. Box 6457
Phoenix, Arizona 85005-6457

Re: Operations Study Report

Dear Darrick:

Thank you and the Acting Administrator for attending our recent AMPUA meeting. The discussion was helpful. The interaction was valuable. The points that were raised are significant.

We studied the several hundred-page report. We noted with dismay the many references to the work of investor-owned utilities and the attempt to suggest Western should adopt many of those investor-owned practices even though the fundamental goals and objectives of the two (2) utility concepts are not the same.

We noted the reference to the discomfort that has arisen in communications and coordination between different Regions.

Despite being promised a cost-benefit analysis of consolidation and reorganization, we have yet to see such an analysis. Our members advised Western from the outset they were concerned about the seeing and being presented an analysis clearly showing the costs and the benefits of the activities undertaken by Western. Our members are now disappointed, to say the least. There is no satisfactory analysis.

Our members continue to be concerned about the funding of activities and the sources of monies being used to pursue some of the activities of Western.

The most significant point was the apparent forgetfulness by Western that the projects were created by statute to be constructed by the Bureau and Western, and all began with customer input and customer activity. There really is no substantial Western activity (or Bureau activity) that does not mandate and require fundamental interaction with the customers and dialogue with the customers and a mutual exchange of information with the customers.

It is one perspective to make technical corrections and consolidations of equipment and facilities that improve efficiencies. However, not even these should commence without careful customer dialog and interaction because of the unintended consequences and impacts on customers of implementation. Grass roots dialogue and customer participation should commence on at least the following topics:

- Transmission Services and Planning Activities
- Transmission Operations and Balancing Authority Activities
- Settlement Activities Related to Real-Time Operations
- Meeting Industry Compliance and Reliability Standards in the Operations Environment

Participation in industry-wide power system initiatives should require regional customer participation or, at the least, invite it.

AMPUA also supports the comments from the Colorado River Energy Distributors Association ("CREDA") as it has made note:

> "The following principles should be adhered to in any further exploration of operating efficiencies:
>
> - Early and often consultation and collaboration with existing customers and the Bureau of Reclamation/Army Corps of Engineers, as appropriate, to ensure assumptions and conclusions are clearly vetted.
> - Ensure there is clear statutory authority to pursue specific initiatives.
> - Ensure that legislative and project boundaries are not blurred or impacted by any proposal (no cost shifting or subsidization between or among projects).
> - Ensure that project-specific accounting and power repayment studies are adhered to.
> - Ensure that the beneficiary/user pays.
> - Cost/benefit analysis should be completed prior to recommending implementation of any initiative.
> - Consider the "lessons learned" from the Operations Consolidation Project (OCP), particularly in terms of cost/benefit and communication."

The apparent Western commitment (in writing) to participation in Energy Imbalance Markets ("EIM"), while explained by the Acting Administrator as an inaccurate notation, (meant only to indicate commitment to study, not implement) has led to great

distrust of Western actions, goals and objectives. This is an unhealthy and unnecessary study report "fall-out" due to Western operating in a "customer-less" environment for this study.

If, as the Acting Administrator indicated, going forward is to be a form of "let's do this together", then there really must be a commitment to "doing it together." Without "doing it together" there cannot be customer "buy-in" to actions.

Go back and start again - but at the grass roots level. After all, Western is spending the customer's money.

There really is no place in the nomenclature of the Agency for asserting that "Western is one." The Acting Administrator attempted to explain the real meaning of that "Western is one" statement. However, in the reports where there is the constant "apple to orange" comparison of Western activities and structures and operations to investor-owned companies, it is made clear that there is an inherent Agency leadership tendency to regard Western as simply another "company." Western is not a "company." Western is not in competition with any IOU. It is a distinct and different entity from an IOU. The comparisons with IOU entities is misplaced. Aside from some technical practices (like reducing the number of printers and copiers, or merging the WECC/NERC functions into a single responsible group, that portion of the study describing other practices is without value and misleads Western.

Our members feel estranged and isolated from this Operations Study process. This is completely unlike the previous efforts of Western to accomplish major redirection and restructuring. Myself and other members of the Association have worked with Western since its inception. We have interacted with each of the Administrators and the Staff of Western at every level for over thirty-five (35) years. Some of us have more history with Western than its employees and are dedicated to its successes as an Agency serving customers.

Given that Western seeks to have a partnership at the local level with its customers (and at the regional level and at the national level), in creating this study Western has so far conducted itself and acted in a way to cause customers to feel more estranged from it.

Reaching decisions from "internal" studies resulting in "mandates" from leadership down for the direction of Western and its programs and customer reactions is opposite from the historic pattern of operation of Western leadership.

Western should stop this process. It should "go back to basics". As an element of "going back to basics" it should go back and re-engage its customers at the local level to talk through each of these processes that have been identified in the Operations Study and then move regionally to do the same, but on a wider basis. Western professionals and employees are not employees of a "company" existing independent of the customers and the projects they serve. Absent our member hard work in creating theses projects and facilities, there would be no need for a "Western." It derives its existence from the philosophy that it exists to serve its customers consistent with authorizing statutes. There is a duty required of Western and its

employees in acting to be consistent with the statutes, and to recognize that the statutes were derived from Congressional action focused on and based on the need of local customers.

While appreciative of the efforts that you have taken individually as the Regional Manager of the Desert Southwest, our Association cannot help but express its frustration at the actions and directions and philosophies adopted by the past administrative leadership of Western (recognizing Western today is without an appointed Administrator).

As was mentioned by several persons commenting at our meeting on October 5th, there really needs to be a return to a grass roots study of these operational issue. If there is a grass roots process that addresses all of the issues, including the Energy Imbalance Markets, we may very well be able to "buy-in" jointly to solutions in the manner consistent with the process described by the Acting Administrator.

AMPUA has had a long and collaborative relationship with Western and we look forward to working with the organization as the Miracorp recommendations are considered. AMPUA is interested in supporting potential initiatives that are cost effective and would result in operating efficiencies for Western and its customers.

Again, thank you for joining us at the meeting and for handling very difficult questions on very complex issues in the forthright manner which we have come to expect from you and to appreciate from you.

Very truly yours,

ARIZONA MUNICIPAL POWER USERS' ASSOCIATION

By_____
Its Executive Secretary

cc: AMPUA Membership (List Attached)
CREDA
Midwest Electric Consumers
Grand Canyon State Electric Cooperative Association
IEDA
APPA
NRECA

Enclosure: AMPUA Membership List

CGSUS:AMPUA:WAPA/Creda/Bor/Spec Issues:Operations Report (2012):Letters:100812 AMPUA Ops Study CommentsV1.DOCX

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Arizona Municipal Power Users Association
Membership List

*Arizona Electric Power Cooperative
**Avra Valley Irrigation and Drainage District
Cortaro-Marana Irrigation District, Pima County
**Eastern Arizona Preference Pooling Association (St. Johns, Eagar, Springerville and Village of Reserve)
Electrical District No. 2, Pinal County
***Grand Canyon State Electric Cooperative Association
HoHoKam Irrigation and Drainage District, Pinal County
City of Mesa Electric Utilities
Mohave Electric Cooperative
**Navajo Tribal Utility Authority
Navopache Electric Cooperative
City of Page
City of Safford
**Town of Marana
**Town of Gilbert
Town of Thatcher
**Trico Electric Cooperative, Inc.
Town of Wickenburg
Wellton-Mohawk Irrigation and Drainage District
City of Williams
***Utah Association of Municipal Power Systems
**Yuma County Water Users' Association

**Representing:* Sulphur Springs Valley Electric Cooperative
Trico Electric Cooperative
Duncan Valley Electric Cooperative
Graham County Electric Cooperative
Mohave Electric Cooperative
Anza Electric Cooperative (California)

***Associate Members*

****Special Associate Member*