



SUPPLY & TRADING

P. O. Box 52025 – ISB250
Phoenix, Arizona 85072-2025
(602) 236-2675
(602) 236-4580 fax
Steven.Hulet@srpnet.com

STEVEN J. HULET
SENIOR DIRECTOR

Via Email: WAPAOPSSTUDY@wapa.gov

Following are initial comments of the Salt River Project (SRP) on the Miracorp Western Area Power Administration Operations Study Report distributed on August 9, 2012. As one of the nation's largest public power utilities, providing electricity and water to more than 2 million people in central Arizona, SRP offers the following comments and suggested next steps.

WAPA's objectives in further considering the study recommendations should be to streamline those operations that can be acted upon in a cost-effective manner, not to "be competitive." WAPA's statutory mission was not established to create a market or to be competitive. WAPA is not a "similar electric utility" to those companies benchmarked in the study since many were investor-owned utilities. Unlike these investor owned utilities, WAPA does not create profits for shareholders. Instead, WAPA's unique obligation is to deliver federal hydropower resources at the lowest possible cost, consistent with sound business principles. Federal hydropower resources marketed by WAPA across the federal transmission system were constructed and authorized on a project-specific basis. Therefore, SRP recommends the following principles in guiding further exploration of operating efficiencies identified in the study:

- Verify that there is clear statutory authority to pursue all initiatives
- Confirm that legislative and project boundaries are not blurred or impacted by any proposal (no cost shifting or subsidization between or among projects)
- Validate that project-specific accounting and power repayment studies are followed
- Guarantee that the beneficiary/user pays
- Complete a cost/benefit analysis prior to implementation of any proposed initiative, and share it with customers
- Consult and collaborate with existing customers and other Federal Agencies, as appropriate, to ensure assumptions and conclusions are clearly investigated and understood
- Utilize the "lessons learned" from the Operations Consolidation Project (OCP), particularly in terms of cost/benefit and communication

As next steps develop, SRP recommends that WAPA consider a process to determine which of the recommendations are reasonable, achievable and cost effective. One idea would be to identify WAPA customers with expertise in particular subject matters and establishing a WAPA/customer team in regions to work through specific recommendations.

SRP and WAPA have had a long and collaborative relationship and we look forward to working with the WAPA as the Miracorp recommendations are studied and considered. SRP would potentially

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support those initiatives that are cost effective and provide operating efficiencies for WAPA and its customers.

Sincerely,

A handwritten signature in blue ink that reads "Steven J. Hulet". The signature is written in a cursive style with a large initial "S" and a distinct "Hulet" at the end.

Steven J. Hulet
Senior Director
Supply & Trading