



September 28, 2012

*Via Email*

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Western Area Power Administration  
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Subject: Comments of the Transmission Agency of Northern California on the Western Area Power Administration Operations Study Report

Dear Ms. Anita Decker and Mr. Boyko,

Thank you for this opportunity to provide comments on the Western Area Power Administration Operations Study Report (Study) regarding the future organizational and operational alternatives for the Western Area Power Administration (Western). During the past 20 years, the Transmission Agency of Northern California (TANC) has developed an important relationship with the Western Sierra Nevada Region (SNR) and is hopeful this relationship is retained to the benefit of both entities as Western evaluates organizational and operational alternatives in the future. Any proposed changes in the organizational structure and functional operation of Western may have a significant impact on TANC and its Members.

TANC is a joint powers agency consisting of 15 publically-owned utilities whose Members are Preference Customers of Western SNR. TANC's Members include the California cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah, as well as the Sacramento Municipal Utility District, the Modesto Irrigation District and the Turlock Irrigation District. The Plumas-Sierra Rural Electric Cooperative is an Associate Member.

In the early 1980's TANC and Western jointly planned and developed the California-Oregon Transmission Project (COTP or Project), a 340-mile long, 500-kV AC transmission line between southern Oregon and central California, which used existing Western right-of-way and is integrated with and interconnected to Western's SNR transmission system. TANC is the primary owner and Project Manager for the COTP. Western's ongoing role as the Operations and Maintenance Agent for the COTP provides a critical function to maintain the reliable operation of the COTP. Western performs many essential Operations and Maintenance (O&M) functions for the COTP, including vegetation management and facility maintenance. The COTP Participants compensate Western annually for its O&M services.

Additionally, TANC and Western produced the environmental studies for the Path 15 Upgrade project during the COTP process and made possible the rapid completion of that project once the California energy crisis highlighted the need for the Path 15 Upgrade project to stabilize the energy markets. In light of these cooperative achievements, TANC views any proposed changes in the organizational structure and functional operation of Western in light of their potential to adversely impact reliability of the COTP or the effective use and efficient administration of the COTP. Accordingly, while TANC agrees that while it is important for an entity such as Western to evaluate its current organizational structure and role in the marketplace to ensure its functions are being performed efficiently and cost effectively, any potential changes should recognize the long history of collaboration between Western and its Preference Customers and be aimed at ensuring that its operations best serve its Preference Customers and industry partners. Based on the information detailed in the Study, TANC provides the following comments:

#### **Centralization of Western's Functions**

As represented in the Study, a common theme arose from the analysis that indicated a tendency to form larger, more consolidated organizations with standardization of functions and processes. The Study also noted that a standardization of tools and centralization of management structure were the most commonly used strategies for ensuring compliance with North American Electric Reliability Corporation (NERC) standards and preparing for future changes in the electric industry.

TANC's relationship with Western represents a unique arrangement where Western SNR and local municipal entities have been able to align interests and focus efforts to develop and maintain a major transmission project that has significantly increased the transfer capability and overall reliability of the bulk electric system in the Western Interconnection (the COTP, together with upgrades in the Pacific Northwest, increased the inter-regional transfer capability from 3200 MW to 4800 MW and reduced the exposure to severe outages). Working closely with TANC, Western SNR's ability to tailor its participation and support in this instance has proven beneficial to all entities involved. In addition, As noted above, Western's ongoing role as the O&M Agent for the COTP provides a critical function to maintain the reliable operation of the

COTP. TANC and Western are parties to contracts for the performance of several functions related to the on-going operation of the COTP, including compliance with reliability standards. Any changes in Western's organizational structure that may jeopardize this functionality and relationship in the future may have significant implications on TANC and its Members, and should be carefully considered so that Western's operational initiatives do not adversely impact existing arrangements with industry partners of Western.

TANC's relationship with Western has been forged as a result of close coordination and collaboration with Western SNR, as both entities have a thorough and common understanding of issues in the local region. Both entities often coordinate to address market and regulatory issues specific to the region. Although a certain degree of centralization and standardization of Western's functions may have merit, it is important to recognize and understand there are existing arrangements and potential future opportunities that may be best served by retaining a degree of flexibility and authority at the regional level. This flexibility will ensure that the people closest to the issues in the regional offices are afforded the discretion and authority to represent Western in collaboration and engagement with its customers and partners in the electric industry.

#### **Impact on Western Customers and Partners**

As TANC previously noted, there may be areas in which centralization and standardization of certain functions may be warranted within Western. However, while recognizing the potential functional efficiencies and other internal benefits Western could achieve through a more centralized organizational structure, TANC also notes that the Study does not consider the potential impacts a reorganized or more centralized and standardized Western could have on Western's Preference Customers and industry partners. Under the current structure, Western's regional offices understand the needs and objectives of such local entities and are well suited to continue providing and tailoring its services and resources to the benefit of its customers and partners.

Recognizing the important role Western SNR serves at the regional level, TANC recommends Western proceed with caution as it considers organizational and operational alternatives, as comprehensive structural changes to Western may have an adverse effect on Western's customers and industry partners. In conjunction with this, TANC recommends that, to the extent it seeks to implement organizational changes, Western conduct a study that evaluates the manner in which a more centralized organizational structure at Western would affect its Preference Customers and electric industry partners. This additional study should consider the direct and indirect impacts of Western potentially shifting toward a decreased regional presence, if key functions are to be assigned to a centralized office. Such a study should be thoroughly vetted by Western, particularly with Western's Preference Customers, industry partners, and include opportunities for meaningful engagement with those that would be

affected by any reorganization at Western. This type of study will assist Western customers in identifying and addressing gaps that may be created by organization changes.

We look forward to continuing our close working relationship with Western and hope that these comments provide Western with important feedback as it considers the information and alternatives provided in the Study.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bryan W. Griess". The signature is fluid and cursive, with a large initial "B" and a long horizontal stroke at the end.

Bryan W. Griess  
General Manager