September 27, 2012

Ms. Anita Becker
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Via Email: WAPAOpsStudy@wapa.gov

Tri-State Generation and Transmission Association, Inc. (Tri-State) is a preference customer and recipient of federal hydropower generated at Bureau of Reclamation facilities (Bureau) which is contracted through the Western Area Power Administration (WAPA). Tri-State serves forty-four member distribution cooperatives with a combined service territory of approximately 200,000 square miles in Colorado, Nebraska, Wyoming and New Mexico.

Tri-State appreciates the opportunity to comment on the operations study conducted by MIRACORP (Consultant) and understands the thoughts expressed in the Operations Study Report (Report) are solely the views and opinions of the Consultant.

Tri-State objects to the fact there wasn't any consultation or collaboration with the preference customers who are most often the more knowledgeable about the projects for which they have contracts. The preference customers were not advised of the study nor was their input sought. WAPA and the customers have a long history of mutually beneficial consultation and collaboration. The customers possess a deep knowledge of federal projects and power system operations. Ignoring this resource resulted in errors and omission in the Report. A perfect example is the recommendation for WAPA to communicate with WECC to divest itself of the obligation of being a path operator (Section 8.2.1). WAPA's first obligation would be to communicate with the path owners prior to communicating with others to determine what their preferences would be.

To emphasize how disjointed and duplicative all these efforts are, first, WAPA develops and publishes its strategic plan and updates its report on reaching its strategic goals and objectives regularly. At a minimum, the Consultant should have cross-referenced the strategic plan and its updates to determine if WAPA was accomplishing some of the recommendations it (the Consultant) made in the Report.

Second, the operations study is commissioned in August 2011, seven months before the publication of Secretary Chu's memo (Memo) in March 2012 (and after the publication of WAPA's strategic plan and its updates). Yet in the Report, the Memo is often referenced as a reason to formulate a recommendation. The Report should not have been geared towards satisfying the directives in the Memo but rather fulfilling the scope of the study which was "to provide expert analytical consultant services concerning Western's power system operations and transmission functions which included assessing the current situation, reviewing the lessons learned from OCI, benchmarking Western with similar utilities and recommending any organizational changes."

As a WAPA customer who pays for WAPA's actions and inactions, Tri-State is frustrated to see the multitude of efforts such as the strategic plan and its updates, neither of which were mentioned by the Consultant, Secretary Chu or the Joint Outreach Team (JOT), the operations study and Report and the

Memo all occurring concurrently. As stated above, these efforts are disjointed, duplicative, time consuming and costly for the WAPA customers who were not even invited to participate in the review, formulation of any of any recommendations in the Report or even surveyed about their thoughts or opinions.

Tri-State is concerned as to the utilities chosen for benchmarking being characterized in the Report as "similar electric utilities"; besides operating in a large geographic area, having multiple operations centers and / or dealing with a multitude of regional reliability organizations (RROs), were there any other characteristics that were taken into consideration such as WAPA being a governmental organization, having numerous and separate projects governed by a number of different statutes? Were these utilities transmission organizations with no generation and just a marketing function? Just because some had recently undergone a merger or acquisition or had multiple operations centers, does not make them comparable to WAPA. WAPA is a wholesale supplier; it has no load growth responsibilities regarding supply resources; it has no retail obligations and has no state or regulatory oversight. WAPA's statutory purpose is to deliver hydro generation from Bureau of Reclamation or Corps of Engineer facilities over the federal transmission system to the preference customers at designated delivery points.

The following are a few extracts from the Report that highlight Tri-State's concerns:

- "Western is governed by many pieces of legislation relative to marketing and delivering federal power and is the operator of a large, loosely connected network of transmission." Tri-State agrees with this observation and would suggest that this is why WAPA has multiple transmission tariffs and related ancillary service rates. Each project is independent, separately authorized and has different requirements. This would change the fundamental structure of WAPA and require a huge effort, most likely involving changes to the law and shift costs between projects. Is it worth the effort, where will the resources come from and who will pay the costs for such an effort?
- Centralized management: "a definite trend emerged towards centralized management…"; with only three companies being benchmarked, an explanation of how and why the Consultant arrived at that conclusion is needed. The justification that it would provide for more standardization across WAPA may not be the case. There are multiple projects to be dealt with having varying statutes and customers. A common approach to establishing rates, processes and procedures, purchase of common tools can be a goal of the Administrator to the regional managers but should be supported by a cost benefit analysis considering the impacts on preference customers (the retail customer) and WAPA; raising the cost to the ultimate customer even though it may save money for WAPA, would be a Tri-State concern.
- "This transmission is or could be key to the development of a system that could benefit the Western United States" and "WAPA should be a leader in the effort to strengthen the transmission system in the West." WAPA's transmission system is not contiguous in the West and its primary purpose is to deliver hydroelectric resources from federal facilities to preference customers at designated delivery points. Much as a bifurcation of responsibilities is being considered for the Western Electricity Coordinating Council (WECC), if Western / DOE believe they have responsibilities in addition to those designated by statute, then DOE should approach Congress to request a new organization be established with the authority to build transmission using taxpayer dollars to pursue the goal of interconnecting and transmitting intermittent renewable resources.

Tri-State understands the need to review and benchmark operations to ensure the most cost effective and efficient organizational structure and work processes and procedures are in place. However, there are two <u>major</u> missing links to this operations study: it was completed in a vacuum – no customer involvement and not one cost benefit analysis was conducted to determine whether any of the recommendations are of any value to either WAPA or the customers. If WAPA determines to move forward with recommendations from the Report, Tri-State recommends a robust dialogue with preference customers to assure that there are benefits to the customers and not unintended consequences and costs from changes made in isolation.

Thank you for the opportunity to comment.

Sincerely,

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