

August 17, 2012

Via Electronic Mail

Department of Energy
Joint Outreach Team

**Comments on the Department of Energy and Power Marketing Associations (PMA's)
Defining the Future Efforts**

The Metropolitan Water District of Southern California (Metropolitan) provides the following comments to the Defining the Future effort. Metropolitan had planned to provide these comments at the Sacramento listening session, however, due to travel commitments, had to leave before it could do so.

Metropolitan appreciates the opportunity to submit comments for consideration by the DOE and the Western Area power Administration (Western) during the public comment period ending August 17, 2012.

Background

Metropolitan is a public agency and regional wholesale water distributor comprised of 26 member public agencies. One of Metropolitan's major water supplies is the Colorado River via Metropolitan's Colorado River Aqueduct (CRA). Metropolitan holds an entitlement to water from the Colorado River.

The water that Metropolitan transports through the CRA is critical to the population and economy of Southern California. Metropolitan was created in 1928 to build an aqueduct and transport and distribute water from the Colorado River to southern California. Today, Metropolitan supplies one half of the total water used by the businesses, industries and 19 million residents of this region, and over 50 percent of that water comes from the CRA. The power Metropolitan receives via Western from the Hoover and Parker facilities on the Colorado River is critical to the transportation of the water through the CRA

Metropolitan constructed the CRA in the 1930s, starting near the Parker Dam, through remote areas of the Mojave Desert in Riverside and San Bernardino counties and terminating near the city of Riverside. The CRA commenced delivery of Colorado River water in 1941.

Five large pumping plants, whose total electrical peak demand is around 300 MW, were built to pump the water through the southern Californian desert. Due to the remoteness of the area, there was no existing electrical infrastructure to transport and supply the large amount of power required by these pumps. Therefore, Metropolitan constructed a 230 kV transmission system to bring power directly from the Hoover and Parker Dam power plants to its five pumping plants.

As the electric grid developed around the CRA, Metropolitan worked with the federal government in the 1970's and 1980's to incorporate changes needed to consolidate the operations and transmission systems at both Hoover and Parker Power Plants to accommodate a new entity, Western, who would perform the marketing and transmission functions for these federal hydropower plants.

Metropolitan is concerned about the changes described in the March 16, 2012 Memorandum by DOE Secretary Steven Chu, as well as information received during the Defining the Future workshops. These concerns are expressed through the following comments:

Metropolitan's Comments

1. DOE and Western need to recognize that the contractors for Federal hydropower are much more than "customers" or "stakeholders". Those entities who have signed long term federal hydropower contracts with the federal government are truly partners, and any decisions by the DOE to change Western need to have input from those who are:
 - Paying the operation, maintenance, replacement and administrative costs
 - Committed to pay for the projects whether they operate or not
 - Contractually entitled to the **full** output of the power plants
2. The Hoover and Parker power contractors cover all costs and assure the repayment of any federal expenditure at these facilities. Moving Western away from its historic mission and responsibilities and initiating new activities may lead to increased costs. Entities who are beneficiaries of any such new activities should pay for those benefits that are produced from facilities that have been funded by others. If Western derives revenues from such beneficiaries, those revenues should be identified and provided to those contractors that pay the costs of the facilities.
3. Metropolitan does not see a role for Western in load serving entity functions such as demand response, electric vehicles, and energy efficiency. If Western is to consider other activities beyond their existing functions, then proper identification of costs, beneficiaries, roles and responsibilities are needed with associated costs allocated appropriately.
4. From its beginning, Metropolitan has relied on reliable, low cost hydro energy from the federal systems at Hoover and Parker dams to power the pumps on the CRA. The low cost power delivered by Western helps to keep Southern California's water bills affordable and support one of the largest economies in the world. This power is critical to Metropolitan, its member agencies and the southern California region. Metropolitan does not want to see the cost of federal hydropower increase to support activities unrelated to the operation and maintenance of the federal hydro and transmission systems.
5. Also disturbing is the lack of focus on low rates. In its 2011 Annual Report, Western states it is "designed to keep rates as low as possible, consistent with sound business practices". However now it seems the attention is only on cost based rates. If costs are increased due to new responsibilities and activities and are simply incorporated in cost based rates that all customers pay, the historic benefit of such a cost based rate structure

is lost. Additionally, such a situation would be a departure from the principle of “beneficiary pays”.

6. Lastly, Metropolitan recommends Western investigate technical lessons learned by the Bonneville Power Administration (BPA) from the integration of thousands of megawatts of variable generation. Western should also consider modifying its pro forma interconnection agreements to require integrating variable generators to:
 - a) Operate with continuous voltage control
 - b) Supply their own dynamic and static reactive support; for example BPA requires a 5% reactive power droop
 - c) Install phasor measurement units and real time monitoring so Western operators have situational awareness of the variable generation plants

Conclusion

Metropolitan supports the continuation of Western’s statutory responsibility of marketing and delivering federal hydro power at the lowest prudent cost. Metropolitan also encourages Western be a leader in efforts to have large hydro be fully qualified as renewable. Any changes in Western’s activities in response to Secretary Chu’s memo should be made in a measured and incremental manner, and only after meaningful public discussion.

While Metropolitan has concerns regarding some aspects of the Defining the Future program, other parts we find really discuss activities Western has already undertaken. For example, grid upgrades, reliability standards compliance and transmission planning are areas where we believe Western already is successful and Hoover and Parker power contractors have been increasing payments of these efforts in response to Western’s budgeted needs to cover these activities.

Metropolitan looks forward to working with DOE and Western to assure any changes in operations and responsibilities are beneficial for all customers.

We appreciate the opportunity to provide input to you. If we can be of further assistance, please contact myself at Jlambeck@mwdh2o.com or 213-217-7381 or Ms. Ann Finley at afinley@mwdh2o.com or 213-217-7136.

Sincerely,

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