

To: U.S. Department of Energy/Western Area Power Administration Joint Outreach Team

Thank you for this opportunity to provide comments to the Department of Energy (DOE) and the Western Area Power Administration (Western) on the future role of the federal Power Marketing Administrations (PMA). These comments are intended to supplement the Transmission Agency of Northern California's (TANC) oral comments which were made at the July 12, 2012 Workshop in Folsom, CA.

Over the past 20 years, TANC has developed an important relationship with Western's Sierra Nevada Region (SNR), and is hopeful that this relationship is retained to the benefit of both entities as DOE and Western seek to define the purpose, opportunities, goals and objectives of PMAs in the future. Any proposed changes in the role of the federal PMAs 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's SNR. TANC's Members include the 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. TANC is the primary owner and Project Manager for the California-Oregon Transmission Project (COTP or Project), a 340-mile long, 500-kV AC transmission line between Southern Oregon and Central California, which is interconnected to Western's SNR transmission system. Along with being an important Participant in overall development and construction of the COTP, Western also serves as the Operation and Maintenance Agent for the COTP. The working relationship between TANC and Western's SNR has provided many benefits for the transmission system in Northern California.

TANC participated in the July 12, 2012 WAPA SNR Workshop and was encouraged to hear that DOE does not intend to implement a "one size fits all" solution for Western PMAs. TANC's relationship with the SNR represents a unique arrangement where the federal PMA and local municipal entities have been able to align their interests and focus their efforts to develop and maintain a major transmission project that has improved the transfer capability and overall reliability of the bulk electric system in the Western Electricity Coordinating Council (WECC). The SNR's ability to tailor its participation and support in this instance has proven beneficial to all entities involved. Any directives by DOE that may limit this discretion or diminish the functionality of the SNR in the future may have significant implications on TANC and its Members, and should be carefully considered in order as to not limit Western's potential participation in transmission projects in the future.

TANC's Members and preference power customers rely upon certainty in the marketplace in order to make prudent investment decisions in their long-term resource planning efforts. Western's 2005 marketing plan, which extends through the year 2024, was one such component that is relied upon by preference power customers in their planning procurement strategies. Restructuring the PMAs or their role in the future may introduce an unnecessary element of uncertainty into the resource planning efforts and potentially place the financial

fitness and rate certainty of Western's customers, including TANC Members, at risk. TANC recommends that the DOE proceed with caution on the activities set forth in the March 16<sup>th</sup> memorandum and engage stakeholders in meaningful discussions to identify where gaps or redundant policies may exist, rather than implementing the proposed top-down approach exemplified in the Memorandum.

Secretary Chu's March 16<sup>th</sup> Memorandum puts forth a series of policy goals pertaining to renewable energy integration, energy efficiency and demand side management policies, among others, and directs the PMAs to "play a leadership role." As many public utilities across the country have already stated in their comments, and as is the case for TANC, our Member utilities are already engaged in the necessary activities to achieve renewable energy targets and stated environmental goals. California has the most aggressive renewable and energy efficiency mandates in the nation. All utilities in California are required to demonstrate compliance with a 33 percent renewable portfolio standard (RPS) by the year 2020. TANC and its Members have demonstrated a firm commitment to invest in technologies that improve efficiency and reduce reliance on fossil fuels; however, we are deeply concerned that if the proposed PMA policies are carried forward as described in the March Memorandum, there is a risk that costs will be incurred without corresponding benefits. Infrastructure improvements should provide customers with commensurate benefits. Although there is certainly an opportunity for Western to play a vital role in contributing to renewable and environmental goals, it is important to recognize that many of the public utilities are already shaping and influencing efforts for necessary infrastructure and technology development. The PMA's activities should go hand-in-hand with the efforts of municipal entities.

Other commenters have characterized Secretary Chu's March 16<sup>th</sup> Memorandum as "a solution looking for a problem." TANC shares this concern. It is unclear what problem the DOE and Secretary Chu are addressing and the authority through which DOE is trying to redirect Western's responsibilities. Western is already an active participant in transmission planning throughout the west, including the California Transmission Planning Group (CTPG) and WestConnect in this region. Western strives to implement policies consistent with open access to transmission and transmission planning directives such as FERC 888, FERC 889, FERC 1000, as well as comply with the North American Electricity Corporation (NERC) and WECC reliability standards.

Lastly, the March 16<sup>th</sup> Memorandum infers that the transmission infrastructure is in a serious state of decay and requires considerable investment to bring it up to current day operational needs. TANC does not believe that the transmission grid in Western's SNR is in a state of decay. TANC supports all cost effective improvements that increase the safety and reliability of the power grid; however, the view suggested in the Secretary's Memorandum, that essentially all grid investments should be socialized when there is no demonstrable benefit to customers, is of great concern and should be vetted thoroughly with its customers.

We look forward to continuing our close working relationship with Western and hope these comments provide the DOE with insight into our perspectives.

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