



## YUMA COUNTY WATER USERS' ASSOCIATION

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August 3, 2012

The Honorable Steven Chu  
Secretary  
Department of Energy  
1000 Independence Avenue, S.W.  
Washington, DC 20585

Dear Secretary Chu,

The Yuma County Water Users' Association (YCWUA) appreciates the opportunity to provide our comments on your memo dated March 16, 2012 and subsequent May 30, 2012 blog post concerning Power Marketing Administrators (PMAs) and your redirection of roles for those PMAs. Like so many others that will be affected by the proposed changes, we have great concerns about the proposed new roles of the PMAs.

YCWUA has for many decades been a preference power customer of Western Area Power Administration (WAPA). As Priority-Use customers and Aggregate Power Managers for Parker and Davis power plants located on the lower Colorado River (owned and operated by the U.S. Bureau of Reclamation), we rely on the affordable hydroelectric resources that are transmitted to our point of delivery by WAPA. We have always maintained a transparent, reliable, practical, and efficient contractual relationship with WAPA.

YCWUA, along with other WAPA customers, have always met, discussed, and agreed to necessary operation, maintenance, modernization, and efficiency improvements to the WAPA facilities. Parties meet on a regular basis to carefully determine orders of priority for rebuild projects, and the cooperation between these parties is both logical and effective. This careful planning and coordination between WAPA, its transmission customers, generators, and other interested parties has been instrumental in the operation of WAPA's Desert Southwest (DSW) Region as we know it today. WAPA has at all times exhibited a fine leadership role in coordinating its responsibilities with its customers. We are certain that other regions have been similarly constructed. All other customers of WAPA's DSW region that we have met and spoken with share our gratitude and appreciation for all that WAPA does. YCWUA feels that WAPA's DSW Region sets the bar for PMAs.

WAPA and its customers participate in advanced funding. This model is the perfect example of a public-private partnership. The customers repay all WAPA costs, sparing expense to the American taxpayer. We feel that these are fine

working relationships that should be encouraged over taxpayer funded systems. Congressional involvement in the form of financing and loan programs (such as the Transmission Improvement Project -TIP) should be supported to assist with the funding required for large-scale construction of transmission projects. Such funding model allows the flexibility required to operate and maintain such systems as those that PMAs do, and creates an atmosphere where the users of the U.S. bulk electric system and those agencies charged with its care can ensure continued reliability with minimal financial impact.

Many of the directives contained within the March 16, 2012 memo are very concerning. We feel that the memo demonstrates an overall top-down approach that expands and redirects WAPA's mission and authorities beyond those authorized by Congress. Any changes in WAPA's authorities should originate as a grass roots effort driven by WAPA's customers in reaction to real world needs. These needs should then be agreed to by the Department of Energy and subsequently authorized by Congress. Centralized, top-down directives are very rarely functional, practical, or economical. We believe that the directives proposed in the March 16, 2012 memo will result in WAPA's service becoming less reliable and more costly to its customers. Any increases in cost will result in far reaching impacts to the utility, industrial, agricultural, and residential users.

We also feel the entire basis for the memo is misleading by attempting to create a crisis. An attempt exists to justify the widespread change to the role of PMAs due to system outages in the recent past as well as a very broad reference to aging infrastructure and reliability concerns. The outage that affected the Southwest United States in September 2011 was caused by a switching error in the field and relay coordination issues. The most recent outage that affected the Washington DC area was caused by an unavoidable weather event. Neither of these two notable outages were caused by aging infrastructure or overall system reliability concerns. Human error and weather events will inevitably occur. If the directives of the March 16, 2012 memo were in place at the time of the outages, the outages would have still occurred nonetheless. Using these outages as justification for implementation of the directives is inappropriate and misguided.

We suggest a method for better reacting to islanding and cascading outages could be increased communication between independent transmission operators by means of an enhanced visibility version of the westTrans.net OASIS system. Such system could allow secure and isolated inputs of transmission status to the system for viewing by other parties. With up to the minute status data being available to the actual transmission control room operators, these operators can make faster, more informed decisions on how to protect their customers and their systems from an impending event. Having personally spoken with system operators that were involved in the management of the blackout in Southern California, the general consensus has been that such an exchange of data (without delay or interference

by third parties) could have led to a completely different outcome of the September 2011 blackout. We feel these issues being handled at regional and local levels are more appropriate than a top-down, Washington D.C. approach.

Further, several parties have expressed publicly that the WAPA transmission system appears to be in dire conditions, based purely upon the age of the infrastructure. Especially in the DSW region, age alone is simply not an adequate measure for the overall rating of a system. Because a wooden pole used in a transmission structure is 50 years old, some feel that this alone condemns the component. Only through qualified periodic pole testing can an agency determine the actual health of its system. Materials from 50 years ago hold up much better in the desert than current-day fast growth wooden poles do. We know from first-hand experience that structures half a century old are more reliable than some structures we have constructed within our system in the past five years. The very same principal can be applied to power transformers and related apparatus. The practice of condemning a system based solely on age is irresponsible both financially and in the creation of a false insecurity in the condition of this precious infrastructure. It should be seriously considered that since 2005, WAPA has consistently exceeded industry standards for reliability as well as met Control Performance Standards One and Two. While aging infrastructure exists, reliability and performance standards are exceeded, placing WAPA's performance on par with the major leading transmission providers in the region.

Our relationships with WAPA as well as other agencies such as the US Bureau of Reclamation are based on a cost-based/lowest possible cost rate basis in which the beneficiary user of the system pays for the operations, maintenance, and replacement of the system. One of our largest concerns is that new renewable generation resources will be ushered into the bulk electric system without due consideration given by those developers to transmission infrastructure construction and financial impacts to their project as a result of the variability of their energy resource. This would be in direct conflict with a "beneficiary user pays" economic model. We fear that existing transmission owners and customers, including preference power customers, will be forced to bear the burden of any shortcomings. With so many preference power customers delivering power for use in the agricultural and municipal water sector, any increase in transmission rates could have a devastating impact to Arizona's agricultural and industrial sectors, as well as imposing an unjust burden on the citizens of this State. It would not be appropriate to unjustly raise electricity prices on the citizens of the United States during these very difficult economic times.

The creation of a new Energy Imbalance Market is premature and reckless. We do not feel that sufficient studies have been completed to support such a measure. The study performed by the National Renewable Energy Laboratory (NREL) provided some interesting data, but we feel that further studies are justified.

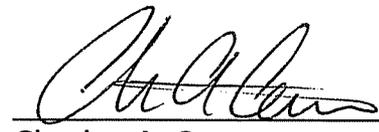
Such studies should be taken out of the federal arena and should be performed by an independent third party that does not hold interest in the outcome of such study. With potentially significant cost increases and burden on all users of the system, carefully taking the time to perform a satisfactorily thorough analysis is called for. It should also be heavily considered that a potential negative impact to the creation of such an energy imbalance market would be the potential for self-imposed islanding by those that choose not to participate. Such action would be detrimental to the overall reliability and stability of the bulk electric system.

Development of solar and wind generation, as well as all associated transmission infrastructure should be initiated and financed by the private sector, as market and operational conditions allow. Customers of the PMAs should not be asked to subsidize these benefits for other groups. Development and implementation of a comprehensive electric car recharging program and other similar matters are items that are and should be dealt with at the retail service provider level. Such programs should not be the responsibility of the PMAs.

In conclusion, we strongly support the current role of the PMAs and commend them for their collaboration and transparency with their customers and industry. We feel that WAPA has done a fine job of balancing a cost-efficient operations and maintenance program along with the ongoing need for replacements. We hope that going forward the DOE is as transparent to all of us involved in the bulk electric system as WAPA has been on every aspect of our contractual and operational relationships. We appreciate the opportunity to comment on the March 16, 2012 memo and trust that these comments, along with those of other entities, will be carefully considered before any DOE action is taken concerning the March 16, 2012 memo. We look forward to future opportunities to interact with the DOE on these concerns.

Respectfully,

  
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Tom W. Davis  
General Manager

  
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Charles A. Cowan  
Power Manager

cc: Janice Brewer, Governor, State of Arizona  
Gary Herbert, Governor, State of Utah  
Arizona Congressional Delegation