



# **CREDA**

## **Colorado River Energy Distributors Association**

### **ARIZONA**

Arizona Municipal Power Users Association

Arizona Power Authority

Arizona Power Pooling Association

Irrigation and Electrical Districts Association

Navajo Tribal Utility Authority  
(also New Mexico, Utah)

Salt River Project

### **COLORADO**

Colorado Springs Utilities

Intermountain Rural Electric Association

Platte River Power Authority

Tri-State Generation & Transmission Association, Inc.  
(also Nebraska, Wyoming, New Mexico)

Yampa Valley Electric Association, Inc.

### **NEVADA**

Colorado River Commission of Nevada

Silver State Energy Association

### **NEW MEXICO**

Farmington Electric Utility System

Los Alamos County

City of Truth or Consequences

### **UTAH**

City of Provo

City of St. George

South Utah Valley Electric Service District

Utah Associated Municipal Power Systems

Utah Municipal Power Agency

### **WYOMING**

Wyoming Municipal Power Agency

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Via Email: [JOT@wapa.gov](mailto:JOT@wapa.gov)

RE: Defining the Future

Following are comments of the Colorado River Energy Distributors Association (CREDA) in response to the DOE/WAPA Joint Outreach Team: Defining the Future.

CREDA is a non-profit regional association comprised of firm electric service customers of the Colorado River Storage Project (CRSP). CREDA members are all non-profit entities, and include political subdivisions, state agencies, irrigation and electrical districts, tribal utility authorities and rural electric cooperatives. CREDA members serve over 4 million electric consumers in the states of Arizona, Colorado, Nevada, New Mexico, Utah and Wyoming. CREDA and its members have a vested interest in all aspects of the "Defining the Future" process. We offer comments on the process, workshop topics, and general observations and recommendations for your consideration. These comments should be considered supplemental to those verbal and written remarks provided at the Tempe and Loveland workshops held on July 24 and 31, respectively. In addition, individual CREDA members have already and will be submitting comments for the record. CREDA urges consideration of those individual comments, as well as the comments submitted by the American Public Power Association, the National Rural Electric Cooperative Association and the National Water Resources Association.

### **PROCESS**

Beginning with the issuance of the March 16, 2012 Memorandum from Secretary Chu to the Power Marketing Administrations ("Memo"), followed by the Statement of Lauren Azar Before the Committee on Natural Resources, U.S. House of Representatives on April 26, 2012 ("Statement"), Secretary Chu's Blog posted on May 30, 2012 ("Blog"), and the July 9, 2012 letter from Secretary Chu responding to the June 5, 2012 letter from 166 Members of Congress ("Response"), the process can be simply characterized as an amorphous moving target with ill-defined and changing objectives. Even after five eight-hour workshops and six two-hour "listening sessions" it is unclear to us exactly what the next steps in this process will be, the extent to which the dialogue from the workshops will be accurately captured and reported, and specifically what opportunity Western's customers will have to be directly involved in further collaboration and deliberation.

A significant amount of time and expense on the part of all Western's customers have been incurred in an effort to have meaningful participation in this process; notwithstanding the cost of the workshops that will be included in Western customer rates. To what end? Much of this could have been mitigated or avoided by the Department employing the collaborative planning processes that

are already underway regionally between Western and its customers.

The Memo's nationally directed policy is unnecessary, costly, inequitable and inconsistent with the legal obligations imposed on Western. As further evidenced by the concerns raised in the June 5 Congressional letter, it is also politically unsustainable. "These proposals also constitute a fundamental shift away from regional planning, and the understanding of local needs and impacts....a top-down approach." Western's most recent Annual Report and its Strategic Plan (both available on its website) clearly indicate the initiatives and progress Western is already making toward some of the concepts proposed by the Memo. Western and its customers have already built robust regional transmission grids operated consistently with national reliability standards, led the nation in integrating renewable resources into their systems, and promoted energy efficiency and demand response programs. Western and its customers have a long history of regional planning, collaboration and problem-solving. Let history repeat itself!

### **WORKSHOP KEY AREAS**

Rather than attempt to address each and every initiative and concept included in the workshop materials and breakout sessions, we offer comments on some of the more significant discussion areas, some of which are cross-cutting between workshop topics.

- I. Transmission Planning and Operations: Western already complies with NERC Reliability and Critical Infrastructure Protection Standards and has a very robust transmission infrastructure planning process that includes customer involvement to ensure Western's contracts comply with the statutory obligation to provide the lowest possible rates to consumers consistent with sound business practices.
- II. Integration of Variable Energy Resources: This issue is not strictly a transmission system issue. As evidenced by comments made by the Bureau of Reclamation at the Loveland workshop, the generating agencies must be involved in any discussions on this topic. In the CRSP, for example, the ability to integrate more intermittent resources is significantly restricted by the existing environmental restrictions placed on operation of the federal dams through records of decision and laws. Western should *continue to participate in*, not *lead* collaborative regional efforts to develop cost-effective tools, such as dynamic scheduling system (DSS), ACE diversity interchange (ADI), reliability based-controls (RBC), and sub-hourly scheduling. Western helped fund DSS, plans to implement ADI once their operations consolidation program is completed, is participating in the RBC field trial in WECC, and has implemented intra-hour scheduling along with other WestConnect members and other transmission providers in the Western Interconnection. In addition, they will be collaborating with such entities in implementing FERC Order 764 for 15 minute scheduling by June of 2013. Western should continue to work with its customers to determine the need and timing for additional tools to support integration of intermittent resources, including conducting a regional analysis of tools, implementation feasibility and costs. Western's customers, in meeting the requirements of the Integrated Resource Planning (IRP) program, all submit the requisite resource planning information to Western. To the extent Western proceeds to complete its own IRP process that was initiated in July of 2011, the comments of CREDA and other customers should be considered.  
[http://ww2.wapa.gov/sites/western/powerm/pmirp/Documents/CREDA\\_001.pdf](http://ww2.wapa.gov/sites/western/powerm/pmirp/Documents/CREDA_001.pdf)
- III. Demand-Side Management, Energy Efficiency and Incenting Electric Vehicle Use: These topics are clearly outside the purview of a wholesale power provider such as Western. These

activities have been and continue to be undertaken by electric utilities with load serving responsibilities. Along with the federal hydropower resources, CREDA members have integrated renewable resources such as wind, solar, biomass and landfill gas. These topics should be eliminated from further discussion in this process. CREDA was requested to provide 5 minutes of comment on the Design of Transmission Services breakout session (remarks appended hereto).

- IV. Transmission Authorities: Although much of the workshop discussions centered on the Section 1222 authority, we recommend that lessons can be learned from how the ARRA Borrowing Authority (Transmission Infrastructure Program – TIP) was implemented by the Desert Southwest Region of Western in regard to the Palo Verde-ED5 project. The processes and rate development undertaken for that project were consistent with the issues raised in CREDA’s March 10, 2010 testimony on the TIP. Excerpted from that testimony: “Western’s customers have identified three general issues associated with this broad new authority: First, the importance of transparency and accountability. Second, the issue of cost allocation. Historically, as transmission and generation interconnections are planned, the issue of who pays for what is always present. Western must establish clear pricing and cost allocation policies adopted early in the program so that the customers, the renewable developers, and the taxpayers know the associated costs and benefits attributed to a new project. Last, electric reliability is key. It is imperative that Western’s planning and participation in these new facilities and systems be open to participation by others”. The full record can be found at <http://www.gpo.gov/fdsys/pkg/CHRG-111hrg47991/pdf/CHRG-111hrg47991.pdf>

## CONCLUSIONS

CREDA and its members have a long working history and healthy collaborative relationship with Western. We stand ready to work with Western on a regional basis to address specific objectives in a methodical, practical manner. We understand that some sort of follow-up webinar will be scheduled following the close of the comment period (August 17 and August 24 for tribes). It is important that the Department be entirely clear as to next steps, timeframes, publication schedules, comment periods, objectives and outcomes associated with this process.

To quote from the White House Memorandum on Open Government and Transparency: “**Government should be transparent.** Transparency promotes accountability and provides information for citizens about what their Government is doing. **Government should be participatory.** Public engagement enhances the Government’s effectiveness and improves the quality of its decisions. **Government should be collaborative.** Collaboration actively engages Americans in the work of their Government.” Any further steps in the Defining the Future process should comply with these directives.

Sincerely,

*/s/ Leslie James*

Executive Director

Cc: CREDA Board

## DESIGN OF TRANSMISSION SERVICES – July 24, 2012 Breakout Session – Tempe, Arizona

### Leslie James, CREDA

- Western is a wholesale power provider to its customers with no obligation to end-use customers. The non-profit utility customers of Western are responsible for serving their retail customers in an environmentally responsible manner. Energy efficiency, demand response and deployment of electric vehicles are matters best addressed by retail utilities – not wholesale power suppliers. Western’s customers already have established energy efficiency and demand response programs in accordance with their individual and unique state and local resource planning and regulatory requirements. Given these facts, the goals of energy efficiency, demand response and incentivizing use of electric vehicles require no further discussion.
- Regarding the goal of rate pancaking in Western’s service territories, if a process is undertaken to look at rate design, the fundamental principle of “beneficiary pays” should be pre-eminent. Elimination of rate pancaking, to the extent it exists, will be challenging and most likely result in cost shifts (with one project’s customers subsidizing the transmission customers of another project).
- Dr. Linvill suggested that panelists discuss issues or problems unique to the region. For the Colorado River Storage Project region (Wyoming, Utah, Colorado, Nevada, New Mexico and Arizona) the resource management direction proposed by the Department of Energy is fundamentally inconsistent with the resource management direction imposed by the Department of the Interior since its 1996 Glen Canyon Record of Decision. As a result of DOI decisions, Glen Canyon generating capability has been reduced by several hundred megawatts, and operational flexibility that could be used to respond in daily and hourly timeframes has been significantly restricted. Hence, there is a significant challenge in integrating new variable resources with the existing renewable federal hydropower resource due to environmental, legal and hydrologic constraints. The federal hydropower projects and associated transmission systems were authorized for specific purposes, which purposes may not always be conducive to integrating variable resources. In the CRSP, water delivery obligations are a primary purpose. In other words, these generation resources do not have the unlimited ability to follow or back up variable energy resources. Even when there is capability for federal hydropower to help integrate variable resources, there is a price to pay. Increased wear and tear on generating resources, from increased load following operations, ultimately increases maintenance and rehabilitation costs. In the existing federal power rate structure, these costs are passed on to the federal power customers. This goes back to the principle of “beneficiary pays”. Beneficiaries of this service should be required to pay the cost of delivering this service.
- In addition, the DOI is in the process of yet another EIS which we expect could further constrain the operation of Glen Canyon Dam for National Park Service and ESA purposes. Similar constraints also exist at the other CRSP generating units (Flaming Gorge and Aspinall).
- Two suggestions: from both the hydrologic constraint and infrastructure wear and tear standpoints, the integration of variable energy resources is not just a transmission issue-it is in large part a generation issue. For that reason, the BOR and Army Corps of Engineers should be fully engaged in this dialogue. Clearly, DOE, DOI and ACE support the expansion of new hydropower resources as evidenced by the Memorandum of Understanding dated March, 2010. DOE should look at the opportunity of increasing new hydropower resources, such as pumped storage, which could be designed in part to meet a goal of variable energy resource integration. Secondly, DOE should be encouraged to review the specific comments provided in response to the June 29, 2011 “Revision to the Final Principles of Integrated Resource Planning for Use in Resource Acquisition and Transmission Planning” posted on Western’s website, as well as testimony offered on the ARRA Borrowing Authority TIP program (March 10, 2009).