



M E M O R A N D U M

TO: Department of Energy
FROM: Turlock Irrigation District
SUBJECT: PROPOSED CHANGES TO THE WESTERN AREA POWER
ADMINISTRATION
DATE: August 17, 2012

Introduction

The Turlock Irrigation District (“TID”) appreciates the opportunity to provide written comments addressing Department of Energy (DOE) Secretary Steven Chu’s March 16, 2012 memo (“Memo”) directing changes to the Power Marketing Administrations (PMAs) and also addressing DOE and the Western Area Power Administration’s (WAPA) subsequent “Defining the Future” initiative workshops. These comments are intended to supplement the TID oral comments which were made at the July 26, 2012 Workshop.

TID agrees that the policy goals in the Memo have merit; however, the specific directives to meet those goals are of great concern to TID. TID also believes that most, if not all, of the issues touched upon in the Memo to move the “grid” into the 21st century are already being addressed on a regional level.

TID Background

Established in 1887, TID was the first publicly owned irrigation in the state and one of only four in California today that also provides electric retail energy directly to homes, farms and businesses. TID is located in Central California and serves approximately 100,000 electric service customers in 14 communities within a 662 square mile service area. TID is also a balancing authority and is governed by a locally elected five-member Board of Directors.

TID is a Customer/participant of the Central Valley Project (CVP) purchasing on the order of 10,000 MWh per year. TID is also a participant in Northwest Power Pool and owns a portion of the California-Oregon Transmission Project (COTP). TID also owns and operates a 136 megawatt wind project in Klickitat County within the Bonneville Power Administration.

Statutory Authority

TID believes that WAPA should stay within the bounds of its statutory authority which is to provide cost-based hydropower at the lowest rates possible consistent with sound business practices. DOE's "shared goals" for the PMAs simply do not exist in any statute or regulation governing the PMAs. DOE's proposals would significantly alter the PMA's statutory purposes without support from Congress and over the opposition of the PMA's long-time consumers/partners.

WAPA is funded by its project customers and any actions should be driven by those customers. The primary focus of those actions should continue to be low cost delivery of the projects it markets.

Improving PMA Existing Infrastructure

DOE statements made at the workshops and listening sessions with regard to the WAPA transmission system imply that the transmission system is in a greater state of disrepair than other parts of the national grid. There is no evidence to support this and ignores the steps WAPA has taken in this area.

WAPA participated in the Path 15 upgrade without adding a burden to existing customers. As a part of WAPA's Sierra Nevada Region (SNR), which primarily markets the output from the CVP, we can testify that transmission is not in disrepair and that customers have funded operation and maintenance as needed. In 1997, SNR, the Bureau of Reclamation, and CVP Power Customers executed an Operations and Maintenance Funding Agreement to ensure an adequate funding source was available to properly maintain the CVP power facilities. SNR customers have funded over \$127 million in transmission improvements. Further, SNR, through the Transmission Agency of Northern California (TANC) and the COTP, is participating in the Western Interconnection Synchrophasor Program (WISP). This is a voluntary WECC regional research program which has the goal of "...improving the operation or reliability of the Grid, or reducing Grid operation costs."

Energy Imbalance Market

The Memo promotes the creation of an Energy Imbalance Market (EIM) in the West. This direction is provided before any publicly vetted analysis shows that such an EIM will "reduce overall costs for WAPA customers." DOE has been pushing WAPA to adopt EIM as a way to mitigate operational problems with integrating variable resources. At this time the net benefits of

such a market are unclear. Those of us active in the Northwest are attempting to ferret out the benefits of such a market. A market that simply shifts costs from one participant to another is not a solution. We are attempting to find a means to reduce the overall cost and then allocate the savings appropriately. Although an EIM may enhance operation, other operating tools and perhaps business practices may be a more cost-effective solution. It is unwise to assume an answer before a sound analysis is undertaken.

PMA Rates

TID is concerned over the directive in the Memo to use PMA rate design to incentivize energy efficiency, demand response, renewables, and deployment of electric vehicles. Redesigning rates to encourage energy efficiency, demand response, renewables and EVs will increase the cost of CVP power for TID and others. Furthermore, energy efficiency, demand response and EV deployment are typically functions of retail utilities, like TID – not of wholesale entities such as WAPA. The pricing of project power and energy should reflect its costs. The customers/load serving entities are in the best position to design appropriate rates for the ultimate consumer taking into account the full resource mix of the load serving entity.

These activities are best left, and appropriately so, to local decision makers. Examples where TID specifically has achieved and continues to work towards the goals from the Memo are renewable generation, TOU rates and rates for distributed generation, as well as investments in establishing plug-in facilities for electric vehicles. TID meets approximately 27% of our retail load with California-eligible renewable energy resources. We are also on target to meet the state goal of 33% Renewables Portfolio Standard by 2020. Make no mistake, renewable energy is capital intensive and expensive. In an effort to optimize TID resources, TID has established pricing mechanisms to incent behavior based on the input of TID customers through local meetings and communication with our local Board. TID exists for the benefit of its customers and responds to their specific needs. We do not need or want WAPA to attempt to fashion our responses to retail needs. Rather, WAPA should continue to provide cost based rates, for services which we contract. WAPA should continue to operate efficiently within the wholesale market and leave the retail services to the retail provider.

Conclusion and Recommendations

TID supports the current framework under which the PMAs operate. TID would also like to reiterate that customers/partners are pleased with the role WAPA takes in transmission planning and Northwest Power Pool operations.

Of greatest importance to TID is providing cost-effective service to our customers, now and in the future. We believe that changing the role of WAPA would result in higher costs to TID consumers, without the requisite increase in benefits. The PMAs have consistently provided clean, renewable, cost-based hydropower for decades under the principle that enhancements to

PMA operations should be paid for by the customers who benefit from and need the improvements. The PMAs are currently taking many of the steps the Secretary urges in his memo. To socialize significant new programs into PMA operations by increasing costs for all PMA customers in order to accomplish a system-wide “upgrade” is untimely, unwise, and unnecessary.

TID recommends that DOE step back and start a new bottom up approach. Allow WAPA to work with its customers to identify issues and to set a course of action to achieve the goals without creating excess costs.

TID is a member of the both the Transmission Agency of Northern California (TANC) and the American Public Power Association (APPA) and concur with and support the comments they will be submitting on their members’ behalf as well.

Respectfully submitted,

A handwritten signature in black ink that reads "Casey Hashimoto". The signature is written in a cursive, flowing style.

**Casey Hashimoto, P.E.
General Manager**