



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

RE: Draft Recommendations of Joint Outreach Team (77 FR 224, November 20, 2012)

Following are comments of the Colorado River Energy Distributors Association (CREDA) in response to the above referenced Notice of Availability (the "Recommendations"). These comments should be considered supplementary to the comments submitted on August 17, 2012 on the "Defining the Future" process.

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 Recommendations and associated processes.

GENERAL COMMENTS

A significant amount of time and expense on the part of all Western's customers continues to be incurred in an effort to have meaningful participation in this process. However, the Recommendations are not clear in terms of "next steps"; specifically, how will Western's customers be specifically engaged in further process associated with any of the Recommendations? Most of the Recommendations refer to "customers, stakeholders and tribes". **CREDA believes that the federal preference customers, who are paying all the costs of the Federal generating and transmitting agencies, should be afforded a different standard of engagement in this process than "stakeholders" or "other stakeholders" (and we are unsure how a "stakeholder" is defined).** Further reference to "customers" in these comments should be construed to refer to "federal preference customers".

The Recommendations were guided by a set of principles, which includes "ensure that the beneficiary pays". Numerous commenters at the various workshops held during the summer attempted to clarify what is meant by "beneficiary/user", but it is not clear to us that the Recommendations fully support this construct. CREDA believes that Western's statutory core mission is to provide service to federal preference customers at "the lowest possible rates consistent with sound business principles". It is unclear to us that maintaining Western's core mission (which does not appear to be defined in the Recommendations) is at the heart of the Recommendations, as opposed to "societal needs" (however that may be defined). CREDA appreciates that JOT's attempt to remove initiatives that are clearly in the purview and responsibility of retail load-serving utilities, but there continues to appear to be the potential for Western to undertake activities which the customers believe are inappropriate and may be outside the authorities granted Western by Congress (ex: broad language such as "incorporate policies and industry trends in long-term strategic planning contexts that ensure long-term viability and relevance and

contribute to strengthening America's energy security, environmental quality, and economic viability").

As many commenters in this process have remarked, the federal projects were authorized under separate and distinct authorities, their rates are established to cover specific costs, and it may very well be the case that "one size can't fit all" with regard to some of the Recommendations. Western has reported that a significant time commitment to JOT activities has occurred, and may be impacting Western's ability to fulfill its existing mission-critical responsibilities. CREDA questions whether some of the timeframes proposed in the Recommendations are supportable given current Western workload and staffing constraints. Any recommendations pursued should ensure that the associated costs are funded by the beneficiary/user. If customers are not beneficiaries/users of an initiative, then it should be funded by DOE appropriations.

Following finalization of the Recommendations, CREDA proposes that Western establish a preference customer working group (initially similar to or the same group that convened in Denver on December 4, 2012), to discuss and establish principles and processes going forward. A reasonably sized group of preference customers representing all Western projects would enhance transparency and collaboration among Western and its customers, and ensure that cost shifts and/or subsidies between or among projects do not occur.

CREDA generally endorses the comments of the American Public Power Association and the National Rural Electric Cooperative Association and urges the JOT to consider making publicly available any Final Recommendations prior to their being submitted to Secretary Chu.

DETAILED COMMENTS

Since the Recommendations are not numbered, they are referred to by page number and description. CREDA understands that the JOT is urging prioritization of the Recommendations as part of the comment process. CREDA suggests that prioritization could be one of the first discussions undertaken by the Western/customer working group recommended above.

- I. Page 8: Undertake an analysis to determine the regulation reserve capability that is required for each of Western's BAs or sub-BAs using a consistent methodology and criteria. Western customers should have the ability to participate, peer review studies and comment on the studies prior to finalization. Since the Recommendation specifically refers to "potentially support the integration of additional variable energy resources", will the study include ensuring that costs of regulation service provided to different customers are assigned to those customers according to the principle of beneficiary/user pays?
- II. Page 9: Consolidate Western's four OASIS sites within the Western Interconnection into a single OASIS site. It is our understanding that all four of the WECC Western offices are already on the WestTrans OASIS site. Is this Recommendation directed at reducing the number of subscriptions? If there is an effort made to consolidate activities or processes under this Recommendation, the issue of cost allocation by project should be discussed with the customers.
- III. Page 11: Revise Western's Large Generator Interconnection Procedures. This Recommendation appears to be straightforward. Any revision to the LGIP should ensure appropriate cost recovery and be non-discriminatory and consistent across Projects.
- IV. Page 12: Conduct a study of the transmission and ancillary services rates charged by each Western-owned transmission project. Western should engage its existing customers in a discussion of a "business case" but it is inappropriate to consider "one rate". How could a business case for "one rate" or consolidated rates comport with the principle of "beneficiary/user pays?" We don't believe there could be a result that would not include cost shifts and subsidies between or among projects. The Recommendation implies that "more efficient use of available transmission capacity" could be a result. How much available transmission capacity that is not committed to providing firm electric service to customers, who are now paying full construction and OM&R costs, actually exists? This

Recommendation clearly requires further discussion with Western's preference customers; should these tariffed rates for ancillary services be the same for preference customers versus "other" customers?

- V. Page 14: Initiate a collaborative process with Western regional offices, customers, tribes and stakeholders to identify the best rate-setting methodologies currently in use by one or more of Western's regions. To the extent possible, explore the potential to harmonize transmission and ancillary service rate setting methodologies across Western. Our understanding is that current rate setting methodologies are established to meet the requirements of each individual project's authorizing legislation. Establishing a uniform methodology may not be possible under current law. This Recommendation appears somewhat similar to the prior Recommendation. From what resources would "additional services" be derived? What is the problem this Recommendation is trying to solve? How is "best" defined?
- VI. Page 15: Western should evaluate its customer Energy Planning and Management Program (EPAMP) IRP guidelines and processes to ensure Western-wide uniformity of administration and to conduct customer outreach to identify opportunities for training on the planning process. The first portion of this Recommendation could be undertaken with fairly minimal time and expense. Each regional office could compare its internal administration and tracking of IRP filings. The Recommendation goes on, however, to appear to expand or revise the program for reasons that are unclear. Western could survey its existing customers to ask whether they *want or need* training prior to assuming that a need for such training exists. A number of Western's customers have extensive resource portfolios that include a diversity of supply side and demand side resources, and sophisticated planning processes that stretch far beyond the scope of asset management and analysis that Western conducts. Since Western does not have a diverse resource portfolio, or the obligation to serve retail load or provide for load growth responsibility, what in-house expertise could Western bring to utility resource planning? The Recommendation is troubling in its references to allocation methodologies, and those references should be removed. Those processes are entirely separate formal public processes. Western should ensure that whatever is done does not create such a strict framework that entities that have to file IRPs with their state regulatory bodies don't have to go through a second process for Western.
- VII. Page 16: Perform a Western-wide infrastructure investment study (IIS). How does this Recommendation comport with existing customer-involved 10 year planning processes that occur under various agreements and on a project-by-project basis? Determining "commercial value" of Western's existing transmission paths is inappropriate; Western is a cost-based agency and commercial value should not be a factor in making capital investment decisions. CREDA believes that there may be no correlation between an estimated commercial value of a transmission path/facility and the need to make capital investments to support existing customers. Western should continue to participate in the regional transmission planning processes as it does today. What type of a model is envisioned or needed in this Recommendation? This Recommendation could allow Western to reinforce the collaborative work planning processes that are in place today with customers, and to be expanded to include discussion of who should build new facilities to enhance the transmission grid. Western's obligation to "modernize the grid" should be limited to projects required to serve Western's contractual obligations for the marketing and transmission of federal power resources.
- VIII. Page 18: Conduct a study across Western's DSW, CRSP, and RMR service areas to identify combined transmission system (CTS) opportunities; while encouraging continued CTS efforts in Western's SNR and UGP service areas. Since DSW and RMR manage more than one project, our previously stated concerns about cost shifts and subsidies applies to this Recommendation. Frankly, we are not aware that the previously undertaken Operations Consolidation Project resulted in cost savings or created "greater flexibility for itself and its preference customers to deliver energy to native loads", so we are not persuaded at this point that this Recommendation should be pursued further without a complete understanding of the

history and operations of the CTS by non-UGP customers.

- IX. Page 19: Conduct a study to explore potential options for moving to a flow-based environment in Western's footprint in the Western Interconnection and away from a contract-path environment. This Recommendation should be reconsidered as it would need to be done WECC-wide and requires extensive collaboration of many transmission providers. It appears that the justification is an argument to support formation of an RTO. While the Recommendation suggests conducting a study, the provided rationale suggests that conclusions may have already been reached and that a number of as yet unquantified benefits would be realized.
- X. Page 20: Study the feasibility of transitioning the Electric Power Training Center to NREL: This Recommendation needs further consideration, such as what skill sets exist at NREL to run a training center for power system operators? Consideration could be given to instead providing funding to WECC, which is attempting to recover its investment in training. Until such time as a cost/benefit analysis has been completed regarding the NREL proposal, the Recommendation should be put on hold.
- XI. Pages 22-24: Recommendations regarding Order 764, ADI, RBC, DSS. It is CREDA understands that Western has not investigated the impact of the RBC field trials on its interconnected neighboring utilities and even those within its own BA. That investigation should be completed prior to moving to another step which could confound the results of the RBC analysis. Any analysis regarding RBC should take into consideration reliability impacts, not just economic impacts. Regarding Order 764, there are teams of people within the Western Interconnection working with WECC on the implementation of the Order. Western is most likely such a participant, but it isn't Western's decision as to "how" it will be done, what the protocols will be or when FERC, NERC and WECC are involved. Those will be established either through standards or through regional criteria. Activity related to RBC, ADI and DSS should be pursued on a subregional basis and only after the implementation of Order 764.
- XII. Page 24: Undertake a study to evaluate the benefits and costs to Western and its customers, tribes and stakeholders in participating in either regional or sub-regional initiatives investigating energy imbalance markets. The study should identify methods that enable Western's impacted parties to maximize the physical benefits of sub-hourly generation scheduling and inter-BA coordination. Western has stated that a west-wide EIM does not make sense, so CREDA wonders why the JOT is pursuing this Recommendation. The rationale for pursuing this initiative states that current generation scheduling practices do not provide access to the full flexibility of all generators. With respect to federal hydro generation, CREDA's view is that Western's customers have paid for and are continuing to pay for that access, unlike "other stakeholders". Other rationale for pursuing the initiative appears to be founded on the continuously-shifting results from the NREL study, the credibility of which has been repeatedly challenged. At a minimum, Western should wait until such time as the NWPP has completed its work. Regardless of the results, Western should engage on a regional (as opposed to west-wide) basis. In any cost/benefit evaluation of EIM, the costs must include estimated wear and tear of the generating facilities. Such analysis must identify what problem needs to be solved within each geographic area.
- XIII. Page 26: Establish a position within Western's Renewable Resource Program office to be a Renewable Energy Liaison for facilitating renewable energy interconnection to Western's transmission system for Native American tribes and other customers and stakeholders. This Recommendation greatly expands Western's role into areas that Western may not have existing expertise and in fact may conflict directly with private industry. Western already provides outreach and assistance to its tribal customers. Suggest that DOE's EERE office may be the appropriate entity to develop databases of RPSs and renewable energy zone studies. The Recommendation reports that Western's customers support renewable integration, which is

true, but in the context of *their* resource planning and management activities. It does not automatically follow that they support Western undertaking new initiatives such as are contained in this Recommendation.

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 appropriate Recommendations in a methodical, practical manner.

Sincerely,

/s/ Leslie James

Leslie James
Executive Director

Cc: CREDA Board

