YUMA COUNTY WATER USERS' ASSOCIATION

MAILING ADDRESS:
POST OFFICE BOX 5775
YUMA, ARIZONA 85366-5775
OFFICE: (928) 627-8824

SHIPPING ADDRESS:
3800 WEST COUNTY 15TH STREET
SOMERTON, ARIZONA 85350
FAX: (928) 627-3065

EMAIL ADDRESS:
OFFICE@YCWUA.ORG

January 22, 2013

Western Area Power Administration
Via email: JOT@wapa.gov

Re: *Draft Recommendations from the Joint Outreach Team*

Following are the comments of the Yuma County Water Users' Association (Association) in response to the above reference document prepared and submitted for comment by the Joint Outreach Team (Recommendations). The Association is a long-standing Preference Customer of Western Area Power Administration, Project Use Power (PUP) recipient of the United States Bureau of Reclamation's Parker-Davis (P-DP) system, and is an Aggregate Power Manager for P-DP PUP in the Yuma, Arizona area. The Association relies on the affordable generation and transmission of PUP power to maintain it's operations, including the extensive groundwater relief pumping required to ensure maximum production of the year-round Yuma area agricultural industry. Additionally, it should be of special note that use of this valuable resource is used for the delivery of water at the Southernly International Boundary to the country of Mexico, as part of the 1944 Treaty. The Association has a vested interest in all aspects of the Recommendations and associated processes.

GENERAL COMMENTS

The Association is concerned over the amount of time and expense on the part of all of Western's customers that 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 with how Western's customers will be specifically engaged in further process associated with any of the Recommendations. Most of the Recommendations refer to "customers, stakeholders and tribes". **The Association 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 beneficiary pays". Numerous commentators at the various workshops held during the summer of 2012 attempted to clarify what is meant by "beneficiary/user", but it is not clear to us that the Recommendations fully support this construct. The Association 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).

While we appreciate that JOT is attempting to remove initiatives that are clearly in the purview and responsibility of retail load serving utilities, we remain concerned that it continues to appear the potential for Western to undertake activities which the customers believe are inappropriate and may be outside the authorities granted Western by Congress. One example would be 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".

We appreciate the time and explanations offered in a response letter addressed to the Association from the Department of Energy dated January 4, 2013. Some of the responses within the letter further adds to the confusion over the intent to develop initiatives that are consistent with the statutory authorizations granted to Western. Comments such as "enhance the reliability of the grid critical to economic stability and competitiveness" and "minimizing electricity bills for consumers while remaining competitive in a global economy" bring more questions than answers. We do not feel it is appropriate for federal preference customers to shoulder any of the expense introducing new renewable resources onto the transmission infrastructure operated by Western. The response letter avoids directly stating that none of these costs would be borne by the federal preference customers. The Association believes that the memorandum released by Secretary Chu would seek to add to the primary obligations of the PMAs; while not changing the original primary role of the PMAs, any mandated changes in the role of the PMA will most certainly affect the preference customers by increased overhead, at a very minimum. We feel that it is these very additions that may well be what directs Western to perform a role other than that authorized by Congress, and this is deeply concerning.

We strongly encourage JOT to allow all of those directly or potentially impacted by it's final recommendations to the Secretary and opportunity to review the recommendations prior to being forwarded to the Department of Energy. To do so further contributes to the overall transparent process that JOT set out to establish with the federal preference customers, tribes, and other stakeholders of Western. Concern over the lack of this final review has been expressed on multiple occasions, and we sincerely hope JOT allows us all the opportunity.

DETAILED COMMENTS

1. Page 4: Introduction. We feel it is important the the JOT includes as part of it's comments to the Secretary, an accurate description of the statutorily defined mission of Western. We feel that it is a simple addition that can be used to reinforce clear the roles of Western are to it's federal preference customers. We do feel that, generally speaking, Western, it's federal preference customers, tribes, and stakeholders ARE receptive to innovation, change, and evolution. We also feel that the concerns over NERC compliance and cyber security measures may be overplayed and are being used as a conduit to impose a much higher level change in the way Western operates. This is not to say that we feel that NERC compliance and implementation of effective cyber security measures are not necessary, but rather that Western is already effective in this arena and continues to adapt as threats change- the same as most major utilities. We have found that, generally speaking, having all of your security tools in one standardized program greatly exposes the entire system should a loophole be found by an attacker. On a grand scale, one national electric grid protected by one standardized program would be a very valuable target should a flaw be exploited. Just as the PMAs are unique in each region, so should their security measures. I am certain you would find that the owners of non-government transmission systems do not standardize on their physical or cyber security practices; neither should those that fall under the Department of Energy. Multiple-layers of security and a mix of technologies and principles from region to region are the keys to maintaining a secure national grid. This is the wrong place for a one-size-fits-all policy.
2. Page 12: Conduct a study of the transmission and ancillary services rates charged by each Western-owned transmission project. We feel that this recommendation presents a conflict of intent. First, this is an issue that should be handled on a Western business-to-customer level and should not be a top-down directive from the Department of Energy. While open discussions between Western and it's federal preference customers and tribes is always welcomed, the thought of consolidating rates across regions would be a direct conflict of the "beneficiary pays" model.
3. Page 14: Initiate a collaborative process with Wester regional offices, customers, tribes, and stakeholders to identify the best rate-setting methodologies currently in use by one or more of Western's regions. This recommendation, like the one before, potentially delves into a top-down directive approach

that seems otherwise prudent to be left at the management level of Western. It appears that this is another recommendation that does not fit with the intent of the Secretary's memo.

4. Page 16: Perform a Western-wide infrastructure investment study (IIS). We feel that Western has a firm grasp on the extent and capacity of it's transmission infrastructure. Western, as well as all of it's customers, currently engages in adequate and effective regional planning processes. Tasking Western to assume the role of identifying uses of transmission infrastructure, including corridors, is beyond the scope of it's obligations to market and deliver federal power resources. To extend Western's role beyond that would certainly bear additional expenses to all of it's federal preference customers and would not be of benefit to those same customers.
5. 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. Having already been involved in a consolidation of operations between DSW and RMR, the Association sees little benefit to extending such consolidation within the transmission system. To use a DSW and RMR transmission consolidation as an example, it is common sense that operation and maintenance alone on such a combined system would definitely increase for DSW customers and decrease for RMR customers. Re-conductor projects, structure replacements, and line extension projects crafted in the Rocky Mountains are far more expensive and involved than those in the deserts of Arizona. These increased costs to the Association, as a DSW federal preference customer, would be unacceptable. We strongly oppose regional consolidation of Western's transmission system.
6. 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. We feel this recommendation is in conflict with information we have received previously from Western, that an energy imbalance market would not be of benefit. We feel that the bullet points outlining the business objectives of such a study are accurate, should a study ever be initiated. However, it is with difficulty that we would believe this is not the beginning steps of the establishment of an RTO- a scenario that the JOT has heard outcry against from the majority of Western's federal preference customers. We cannot stress enough the originality and uniqueness of each of the regions of Western. Establishing a Western-wide EIM could very well be difficult to implement fully due to different operating characteristics of each region. The cost for such an extensive study remains a concern of ours as well.

We thank you for the opportunity to provide these comments to the Recommendations. We have enjoyed a long-standing, mutually beneficial relationship with Western, and truly look forward to working together going forward on the Recommendations to the Secretary. Again, we hope you consider the continuation of transparency in this process by allowing all parties involved an opportunity to review the final Recommendations that will be forwarded to Secretary Chu.

Respectfully,

/s/

Tom W. Davis
General Manager

/s/

Charles A. Cowan
Power Manager