



M E M O R A N D U M

TO: Department of Energy and Western Area Power Administration's Joint Outreach Team

FROM: Turlock Irrigation District

SUBJECT: DRAFT RECOMMENDATIONS FROM THE JOINT OUTREACH TEAM

DATE: January 22, 2013

Introduction

The Turlock Irrigation District (TID) appreciates the opportunity to provide written comments addressing the draft recommendations released by the Joint Outreach Team (JOT) from the Department of Energy (DOE) and the Western Area Power Administration (Western).

TID appreciates that the JOT did not pursue any recommendations specifically targeted at energy efficiency, demand response, or electric vehicles as they are functions of retail utilities. TID remains concerned, however, about the process for implementation and the lack of specificity in the recommendations that could allow DOE to take steps not fully vetted in this process. TID continues to believe that a number of issues raised are already being addressed on a regional level and that is where they are best left to be achieved.

TID Background

Established in 1887, TID was the first publicly owned irrigation district 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.

Recommendation No. 1: 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. Additional analysis should be conducted to determine the regulation reserve capability that is available from all dispatchable generation sources within each of Western’s BAs or sub-BAs.

Given the lack of specificity regarding the methodology to be employed and the uses of the results of the analysis, TID urges significant caution in pursuing this recommendation. Reserves which have been paid for by preference customers and that now support the delivery of their preference power cannot simply be commandeered for the integration of VERs or for the benefit of other project owners. Further, often times by using a unit for a new or different service, it prevents the use of that same generator for another use. For instance, one cannot count on the same generator for both contingency reserve and regulating reserve. One cannot commit a limited energy resource for use by one customer for reserves that may use up a limited resource without affecting another customer’s ability to use it as a firm energy resource.

The preference customers that are paying the bills for particular generating resources should be able to realize the benefit of those resources.

Recommendation No. 2: Consolidate Western’s four Open Access Same-time Information System (OASIS) sites within the Western Interconnection into a single OASIS site.

TID supports this recommendation as it may be a cost effective solution. However, a common OASIS should not imply a common price, a common tariff or common business practices. Each Western sub-region has its own peculiar contractual requirements. Assuming that one size can fit all is not appropriate. Given that its facilities are divided into different regions, some of which are not even contiguous with the other regions (*e.g.*, the Central Valley Project/Sierra Nevada Region facilities), and that different statutory frameworks govern the various projects and regions, a single Western-wide transmission rate structure would be infeasible and inappropriate. Transmission rate consolidation is also addressed in the response to Recommendation 4.

Recommendation No. 3: Revise Western’s Large Generator Interconnection Procedures (LGIP) to conform to changes recommended by WestConnect’s LGIP Work Group and successfully implemented by several WestConnect participants.

Response:

TID is not familiar with the WestConnect procedures. However, TID would encourage Western to facilitate the connection of generators subject to maintaining the reliability of the system for preference customers. In establishing any such procedures, Western should, to the extent possible, be agnostic regarding the effects on the power market. Rather, it should look solely at the reliability of the system and maintain that reliability. It should not attempt to preempt or in any way interfere with market mechanisms that may reduce the market value of the existing preference customers. BPA, through their Environmental Redispatch attempted to do

that to wind customers in the BPA Balancing Authority Area. FERC appropriately required that BPA treat such generators as transmission customers and not as secondary users of the transmission system.

Recommendation No. 4: Conduct a study of the transmission and ancillary services rates charged by each Western-owned transmission project. Determine the feasibility and the appropriate level of potential consolidation of transmission rates from the bottom up, i.e., intra-regionally, inter-regionally, or Western-wide.

TID is concerned with the concept of the consolidation of transmission rates. This concept flies in the face of the beneficiary pays principle, a main tenet of the PMAs. Even while the JOTs response to NRECA's clarifying question implies that the consolidation of rates is not a foregone conclusion, any recommendation must clearly state that a study could determine that consolidation is not the solution.

In addition, the JOT recommendation references consolidation "where appropriate and legally possible." It should be clear that legal analysis should be completed before a recommendation's study is carried out.

It is unclear how this recommendation would interact with recommendation 5. Western should not be required to duplicate efforts.

Finally, the regional diversity within Western must be recognized. Consolidation of rates among the diverse regions would likely result in cost-shifting and would be inconsistent with another principle of the PMAs, cost-causation.

Recommendation No. 5: 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.

TID is similarly concerned with this recommendation as outlined in recommendation 4 comments. This study should be to determine the best rate-setting methodologies within each region but not to find one Western-wide single system rates.

Recommendation No. 6: 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. Western should immediately implement a quality control program to ensure that customer plans are complete, conform to existing guidelines and procedures, and accurately reflect the activities that have been accomplished using the planning process. Evaluation of an IRP program's effectiveness should include evaluation and mitigation of drivers that may inhibit customer efficiency efforts, such as concerns that future allocations could be reduced by previous years' load reductions, as well as

understanding what percentage of an individual customer’s load requirements is met through an allocation of Western power.

Western’s aim in this arena should be to be a resource for its customers and facilitate an efficient means for customers to convey resource plans to Western planning departments. Care should be taken by Western not to establish standards that interfere with a local public utility’s ability to establish its own set of criteria and goals for its resource plans.

Recommendation No. 9: 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 proposes the potential for greatest change to Western. TID is concerned with the concept of a flow-based environment which would appear to likely mean the creation of an Independent System Operator (ISO) or Regional Transmission Organization (RTO).

Further, any movement to a flow based system would likely be ineffective if not done within a wider WECC sub-region or throughout the WECC. Accordingly, TID would recommend that Western stay involved in regional efforts but not attempt to “go it alone.” For example, Western appears fully engaged in the NWPP MC effort that is evaluating an Energy Imbalance Market. If such a market appears to be cost effective, then a flow based environment of some nature will be necessary. By engaging in such an effort, Western will help shape the future of the region. TID would urge against a separate Western study that would generate a lot of paper but would ultimately prove fruitless due to lack of industry support.

Recommendation No. 13 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.

DOE has been pushing Western to adopt an Energy Imbalance Market (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.

Again, the Northwest is in the process of studying an EIM on a regional level. TID believes this is the proper place and urges against further study by Western of an EIM at this time.

Conclusion and Recommendations

TID appreciates the opportunity to provide these comments on the JOT draft recommendations. Western 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. 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 Western 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. 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 continues to support a bottom-up approach on the problems and solutions facing Western and its customers.

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**