



Delivering More Than Power™

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Via Email: JOT@wapa.gov

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

Salt River Project Agricultural Improvement and Power District (“SRP”) appreciates the opportunity to provide comments on the Draft Recommendations to Energy Secretary Steven Chu issued on November 20, 2012 by the Joint Outreach Team (“JOT”) of the Department of Energy (“DOE”) and Western Area Power Administration (“WAPA”). These comments supplement SRP’s comments submitted August 17, 2012 in the JOT’s “Defining the Future” process.

SRP is one of the nation’s largest public power utilities, serving nearly one million electric customers in central Arizona using a diverse resource mix that includes nuclear, coal, gas, large hydro, small hydro, wind, solar, geothermal, biomass and landfill gas generation, and demand response and energy efficiency programs. SRP owns and operates thousands of miles of transmission and distribution lines and related facilities that deliver the electricity produced by these resources to our customers.

SRP’s retail load requirements, resource portfolio and transmission assets make SRP one of WAPA’s largest customers. In FY10, SRP was WAPA’s largest provider of total revenue. SRP has long-term contracts for hydropower allocations from WAPA’s Hoover, Parker-Davis and Colorado River Storage Projects.

SRP has worked collaboratively with WAPA since WAPA was established in 1977. SRP’s relationship with the U.S. Bureau of Reclamation (“Reclamation”), WAPA’s predecessor agency in marketing and delivery of federal Colorado River hydropower, goes back much farther, to the early decades of the 1900s. This collaboration has allowed SRP to deliver renewable federal hydropower to the people of central Arizona for many decades. In this span of time, through planning, sound investment, collaboration and mutual assistance, Reclamation, WAPA, and SRP have successfully met substantial challenges in producing and delivering reliable and economically-priced electricity to meet vastly expanded power needs in the southwest United States.

SRP’s General Comments

SRP is a member of and supports the comments on the JOT Draft Recommendations submitted by the Colorado River Energy Distributors Association (“CREDA”), the American Public Power Association (“APPA”), and the Western Business Roundtable. SRP additionally supports the comments on JOT’s Draft Recommendations submitted by the National Rural Electric

Cooperative Association (“NRECA”) and has signed onto Limited Joint Legal Comments submitted by a number of preference power utilities and associations.

As a preference power customer of several federal hydropower projects marketed by WAPA, SRP wishes to emphasize the importance of WAPA continuing to meet its primary obligation and core mission, which is to market and deliver hydropower from federal reclamation projects established pursuant to federal statutes “at the lowest possible rates to consumers consistent with sound business practices.”¹ SRP also wishes to emphasize that WAPA’s preference customers pay all of the costs of generating and transmitting the power, including costs of operations, maintenance and replacement, and repayment of capital plus interest. For some projects, preference customers also subsidize other reclamation purposes, such as recreation, fish and wildlife, and irrigation. Preference customers have certain statutory rights and associated long-term contractual and financial obligations with WAPA, and as such we would encourage the JOT to consider this relationship with WAPA as it addresses the input and comments from such customers on the JOT’s Draft Recommendations.

SRP supports the outreach efforts recently undertaken by the JOT to provide greater transparency and public input into this process. JOT’s outreach meetings held in December and January with interested parties and the workshops/listening sessions held last summer were significant improvements over the approach initially presented in the Secretary’s March 2012 memorandum. In order to ensure continued transparency, SRP strongly recommends that the Final Recommendations submitted by the JOT to the Secretary be made available to the public. It will help all interested parties better understand how the comments submitted were addressed by the JOT as the process moves forward.

SRP’s Specific Comments on Draft Recommendations

No. 1 (p. 8): Analyze Regulation Reserve Capability in WAPA’s BAs or sub-BAs. SRP urges WAPA to (1) specifically define what is meant by “regulation reserve capability”, (2) clarify that regulation capacity needs and availability will be determined first project by project and then BA by BA, (3) allow WAPA preference customers to participate in and comment on the regulation capacity studies before finalization, and (4) clarify that any finding that there is regulation capacity available to integrate “additional variable energy resources” also clearly recognizes that variable energy generator recipients of such integration services must pay their appropriate share for those services.

No. 2 (p. 9): Consolidate WAPA’s four OASIS Sites into a Single Site. SRP generally supports Draft Recommendation No. 2. However, SRP urges WAPA to recognize that Available Transfer Capability is offered and priced project by project, not “region by region”. Therefore, SRP suggests caution in WAPA’s potential exploration of the feasibility of “inter-regional Non-Firm redirects.”

No. 3 (p. 11): Implement LGIP Reforms. SRP generally supports Draft Recommendation No. 3, but suggests that WAPA utilize a 60-day public comment period to encourage full review of the proposed changes to the procedure.

No. 4 (p. 12): Study Potential Consolidation of WAPA’s Transmission and Ancillary Services Rates. SRP urges WAPA to provide a written legal analysis of its statutory authority to

¹ Flood Control Act of 1944 §5, 16 U.S.C. §825s (2012), *see also*, Reclamation Project Act of 1939 §9(c), 43 U.S.C. §485h(c) (2012).

consolidate transmission and ancillary services rates before embarking on any study on consolidation. If appropriate statutory authority can be demonstrated, then WAPA should engage its preference customers in its rates consolidation studies to ensure that the analyses clearly demonstrate that consolidation meets the JOT's underlying principle to "ensure that beneficiary pays" and that any rate consolidation effort will not result in cost shifts or subsidies between projects.

No. 5 (p. 14): Identify Best Practices for Rate-Setting Methodologies among WAPA Offices. SRP suggests that WAPA develop criteria for identifying best practices among current rate-setting methodologies before embarking on the collaborative process described in this Draft Recommendation.

With regard to the provision in the Draft Recommendation that the investigation could also identify additional generation-based load-following and ancillary services that WAPA could provide, SRP suggests that WAPA first identify (1) if existing and potential new customers have expressed a need for such additional services, (2) the level of expressed need, (3) whether there is sufficient generation available from existing WAPA resources to provide these additional services, and (4) whether, how, and from what resources WAPA would intend to purchase additional generation to provide the additional load-following or generation-based ancillary services described in the Draft Recommendation.

No. 6 (p. 15): Evaluate EPAMP IRP Guidelines and Processes. SRP is not averse to WAPA implementing a quality control program to ensure that customer IRP "plans are complete, conform to existing guidelines and procedures, and accurately reflect the activities that have been accomplished using the planning process," as long as the customer reporting process does not become burdensome.

However, SRP is concerned that the Draft Recommendation as currently worded could represent an expansion of WAPA's EPAMP authority. The statement that WAPA's evaluation of the customer IRP processes would include "an evaluation of potential alignment between Western and DOE strategic and policy goals" is vague. In their January 7 outreach meeting with SRP, the JOT representatives stated that neither DOE nor WAPA had established strategic or policy goals regarding preference customer IRPs. To alleviate preference customer concerns about the potential for expansion of WAPA's EPAMP authority, SRP suggests that the JOT strike the language on "evaluation of potential alignment between Western and DOE strategic and policy goals" and the language on customers' planning processes including "the ability to understand and quantify externalities."

No. 7 (p. 16): Perform a WAPA-wide Infrastructure Investment Study (IIS). SRP supports the goals identified in this Draft Recommendation to identify high-value WAPA transmission corridors for potential uprating and right-sizing projects or replacing aging assets in key rights of way. This study work should be done in close collaboration with preference customers who can identify transmission capability needs and potentially provide joint funding with WAPA.

However, the terms "commercial value of WAPA's transmission paths" and "maximizing return on investment" are greatly at odds with WAPA's statutory core mission to deliver federal hydropower to preference customers at "the lowest possible rates . . . consistent with sound business practices." SRP urges the JOT to remove such criteria from the Draft Recommendation.

No. 8 (p. 18): Identify Combined Transmission System ("CTS") Opportunities. Efforts by WAPA to identify potential opportunities to develop additional CTSs in other areas of WAPA should be pursued only with utility partners that see potential benefit and have expressed an

interest in collaborating on such an evaluation. We understand such a collaborative investigation was the basis for development of the CTS between Basin Electric, Black Hills Power, Tri-State G&T Association and WAPA Upper Great Plains. We do not believe WAPA should pursue studies in areas where neighboring utilities have not expressed such an interest.

No. 9 (p. 19): Explore Flow-Based Scheduling in WAPA's Footprint in the Western Interconnection. SRP believes exploration of a flow-based approach can provide valuable information to WAPA and its preference customers, but only if the approach is considered on an interconnection-wide basis and not solely for WAPA's transmission system. Implementation of a flow-based system cannot be accomplished by one transmission provider alone; any study work must be a coordinated effort with broad participation by Western Interconnection utilities.

However, SRP is concerned that the JOT has already concluded that flow-based scheduling WILL produce benefits (a long list of potential benefits is included in the Draft Recommendation) without any study work having been undertaken. The concern is amplified by a statement in the Draft Recommendation that "emerging market mechanisms . . . in the Western Interconnection would drive the use of locational marginal pricing algorithms." SRP cautions that a proposed Energy Imbalance Market is far from a certainty, and urges the JOT to delete such premature references in the Final Recommendation.

No. 10 (p. 20): Perform a Feasibility Assessment of Transitioning the Electric Power Training Center ("EPTC") to NREL's Energy Systems Integration Facility ("ESIF") in Golden, CO. SRP believes that a facility for hands-on operator training is a benefit for the utilities in the Western Interconnection, but is uncertain whether NREL's ESIF is the best provider for such training. A range of potential options for provision of operator training services, not a sole focus on NREL's ESIF, should be explored to replace the EPTC.

No. 11 (p. 22): Work to Coordinate Implementation of Intra-Hour Scheduling within the WECC Region, including Implementation of 15-minute Scheduling Pursuant to FERC Order No. 764. WECC is guiding the collaborative effort to implement 15 minute scheduling pursuant to Order No. 764 in the Western Interconnection. SRP does not believe there is a role for WAPA to lead this effort and urges WAPA to continue to participate in the WECC-sponsored effort.

No. 12 (p. 23): Evaluate Costs and Benefits and, if appropriate, Implement ADI, RBC and DSS by WAPA BAs and sub-BAs in the Western Interconnection. It is SRP's understanding that (1) WAPA BAs are already participating in the Reliability Based Controls (RBC) experiment sponsored by WECC; (2) that WAPA has already funded development of the Dynamic Scheduling System (DSS) and that WAPA RMR and DSW have the contractual rights to implement DSS; and (3) that WAPA RMR and DSW plan to implement ACE Diversity Interchange (ADI) shortly, since their SCADA consolidation is completed. SRP supports investigation of use of these tools by other WAPA BAs and sub-BAs and periodic evaluation of their effectiveness by all WAPA BAs and sub-BAs, once implemented.

No. 13 (p. 24): Evaluate Benefits and Costs to WAPA and Customers, Tribes and Stakeholders in Participating in Regional or Subregional Initiatives Investigating Energy Imbalance Markets. SRP has substantive concerns about the EIM benefits analysis conducted by NREL at the request of the PUC EIM Task Force and strongly urges that further analysis of a Western Interconnection-wide EIM be suspended and not reconsidered until the NWPP Market Assessment and Southwest Variable Energy Resource Initiative (SVERI) are concluded. We understand that WAPA UGP and WAPA SNR are participating in the NWPP Market Assessment and SRP supports that participation. WAPA DSW has recently joined the SVERI project, which is at a very early stage and whose mission is to investigate planned installations

of variable resources in the southwest subregion, to determine if there may be a challenge within the subregion in integrating such planned resources, and, if warranted, to seek to collaborate on tools to assist with such integration. SRP believes WAPA's continued participation in these subregional efforts, WAPA's implementation of the tools described in Draft Recommendation 12 (ADI, RBC, and DSS) and the region's implementation of 15 minute scheduling pursuant to FERC Order No. 764 are reasonable steps at this time.

No. 14 (p. 26): Establish a Renewable Energy Liaison Position for Interaction with Tribes and Renewable Energy Developers. SRP can support establishment of a Tribal Liaison position to provide technical assistance to the Tribes with regard to interconnection of renewable generation projects on tribal lands to WAPA transmission, but is concerned about the source of funding for this position. The other proposals contained in this Draft Recommendation—to study the breadth of existing or potential non-hydropower renewable energy projects in WAPA's service territory and to determine potential "off-takers" for these potential projects--go well beyond WAPA's core mission and are possibly duplicative of other efforts (e.g. NREL programs). SRP strongly urges the JOT to remove these other proposals from this Draft Recommendation

SRP appreciates the opportunity to file these comments on the JOT's Draft Recommendations and again strongly urges that JOT make the Final Recommendations submitted to Secretary Chu available to the public.

Sincerely,

/s/ Robert R. Taylor

Senior Director
Regulatory Policy & Public Involvement