

BRIAN SANDOVAL, *Governor*
GEORGE F. OGILVIE III, *Chairman*
MARYBEL BATJER, *Vice Chairwoman*

STATE OF NEVADA



BOB COFFIN, *Commissioner*
TOM COLLINS, *Commissioner*
J. BRIN GIBSON, *Commissioner*
DUNCAN R. MCCOY, *Commissioner*
BERLYN D. MILLER, *Commissioner*

**COLORADO RIVER COMMISSION
OF NEVADA**

August 17, 2012

Joint Outreach Team (JOT)
U.S. Department of Energy
Western Area Power Administration

Via E-mail: JOT@WAPA .GOV

SUBJECT: Comments of the Colorado River Commission of Nevada on Secretary Chu's Memorandum for the Power Marketing Administrators dated March 16, 2012

The Colorado River Commission of Nevada (CRCN) appreciates the opportunity to submit written comments to the Department of Energy/Western Area Power Administration Joint Outreach Team (JOT) concerning the proposals and directives contained in the Memorandum for the Power Marketing Administrators dated March 16, 2012 (the Secretary's Memorandum). The CRCN has closely followed developments and subsequent communications from Secretary Chu, the Department of Energy and the Western Area Power Administration over the past 7 months including attending and participating in the workshops and listening sessions held in Phoenix, Arizona, Folsom (Rancho Cordova), California and Loveland, Colorado.

Background

The CRCN is a Nevada state agency which for more than 75 years has been broadly charged under state law to enhance, preserve and protect the interests of the State of Nevada in both water resources and federal hydropower resources, from the Colorado River, including related transmission facilities. The CRCN, on behalf of the State of Nevada, has from its earliest days been a contractor with the federal Bureau of Reclamation and later the Department of Energy's Western Area Power Administration (Western) and currently is entitled to allocations of hydropower capacity and associated energy from Hoover, Glen Canyon, Parker, and Davis Dams.

The CRCN is not an end-user of the power resources it receives pursuant to federal law and long-term contracts. Rather, the CRCN in turn has allocated the power resources it receives

to contractors within the State of Nevada. Those resources provided through Western meet a significant portion of the loads of the CRCN customers, in one case approximately 97 percent of the customer's total load. Thus, any changes in the availability or total cost of those resources will translate directly into higher costs for end-use consumers in Nevada.

The hydropower and related transmission customers of the CRCN include wholesale and retail customers.

WHOLESALE CUSTOMERS

NV Energy
The City of Boulder City
Valley Electric Association
Lincoln County Power District No. 1
Overton Power District No. 5

RETAIL CUSTOMERS:

The Southern Nevada Water Authority
American Pacific Corporation (AMPAC)
Basic Water Company
Lhoist North America
Titanium Metals Corporation (TIMET)
Tronox

Comments

Legal Authority. Any new initiative pursuant to the Secretary's Memorandum must be within the statutory authority of Western, and must not impair Western's ability to meet its contractual and legal obligations to its current customers. It is critical that any effort to implement the proposals and directives in the Secretary's Memorandum be preceded by an open, public, and in depth analysis of all existing statutory authority possessed by Western and thorough review of the existing long-term contracts with Western's customers. A number of the proposals and directives in the Secretary's Memorandum will require action by Congress to provide the necessary legal authority.

Cost-Based Rates / Beneficiary Pays Principle. The CRCN and its customers strongly support the mandates under federal law which are reflected in the principles of cost-based rates

and “beneficiary pays.” It is important to note that the types of costs which may be passed through to Western’s customers under cost-based rates are limited. Those rates may reflect only the lowest reasonable and sound costs *directly* associated with the construction, financing, management, operations and maintenance of specific federal generation and transmission projects. One key component of the “beneficiary pays” principle is that the portion of costs passed through in cost-based rates must be proportional to the benefits derived by each customer, and no more.

Federal Agencies Generating Power Need to be Involved. Implementation of the Secretary’s Memorandum is not just a transmission issue. From both the hydrologic constraint standpoint on resource availability and from the standpoint of wear and tear on generating units, the goal of integrating variable energy resources is not just a transmission issue; it is also a generation issue. The Bureau of Reclamation and the U.S. Army Corps of Engineers should be fully engaged in this dialogue.

Western’s Relationship with its Customers. The CRCN and its customers have worked closely and cooperatively with Western for many years to financially support a robust, reliable regional transmission system, to improve operational coordination and reliability of both federal generation and transmission. The CRCN rejects as inaccurate the assertions in the Secretary’s Memorandum that Western’s transmission systems are inherently unreliable, outmoded and are a significant risk to grid reliability.

Diversity within Western. The CRCN observes that the workshops and listening sessions clearly demonstrated that within Western’s “footprint” there is great diversity. Individual projects have unique and sometimes inconsistent statutory and legal structures, operational practices and operational constraints associated with the local physical operating environment as well as limitations on operations designed to address the needs of the environment and threatened or endangered species. With such a wide range of factors affecting the implementation of any new initiatives, care must be taken to assure that an unworkable “one-size-fits-all” approach is avoided.

One can reasonably assume that similar differences will surface when the Department of Energy takes a closer look at the other PMAs. The CRCN urges that the Department of Energy refrain from implementing any of the recommendations or directives in the Secretary’s Memorandum until full analysis of the other PMAs, including workshops and listening sessions, are completed to allow a comprehensive implementation strategy to be established reflecting the facts and circumstances of all of the PMAs.

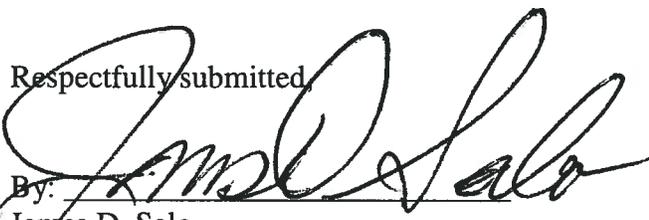
Conclusion

In conclusion, the CRCN views the Secretary’s Memorandum as an unnecessarily accelerated effort to implement a number of controversial proposals which will have direct

adverse impacts on Western's customers. Many of those proposals will impair the rights of the Western's customers under their long-term contracts, and will violate the letter and spirit of the cooperative mechanisms which have allowed Western to successfully perform its statutory roles with funding support from its customers with minimal reliance on appropriated funds.

Western deserves to be recognized as a forward-thinking, creative and professional organization which has successfully migrated, over time, to a customer-funded agency with a record of success. The CRCN has a long working history and healthy collaborative relationship with Western. We stand ready to work with Western on a regional basis to address specific objectives.

Respectfully submitted,

By: 

James D. Salo
Deputy Executive Director
(702) 486-2484 – Direct Line
jsalo@crc.nv.gov

JDS/ja