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Mr. Craig Knoell, OCP Program Manager
Western Area Power Administration
Via Email: knoell@wapa.gov

Re: Operations Consolidation Project ("OCP")

Dear Mr. Knoell:

The Arizona Municipal Power Users' Association ("AMPUA") is an association of consumer-owned and operated electrical systems and it consists of cities and towns, rural electric distribution and generation cooperatives, special districts, irrigation and electrical districts, water conservation districts, agricultural improvement districts and Indian utilities. Collectively the members deliver almost one-half the electricity in Arizona to over two million people.

AMPUA herein comments on the Operation Consolidation Project as the same has recently been reported to it and its members.

First, the report in Phoenix and in Denver and in Salt Lake announced there were no benefits to the Desert Southwest Area ("DSW") customers. In fact the plan punishes and adversely impacts DSW customers by subsidizing the RMR region to the extent of at least \$300,000. This is an adverse and negative impact and not a positive benefit.

Second, for over nine months AMPUA has requested the following: 1) what is the current actual itemized cost of operation of the DSW, the RMR and the other regions to be affected by consolidation? Result - no substantive and detailed answer; 2) what is the cost being tracked by Western of the consolidation effort in terms of real money that is being tracked today for transparency purposes and to allow the customers to see real time what is happening? Result - no substantive and detailed answer; and 3) in each region what is the itemized projected cost after OCP and what are the programs for tracking costs and estimating costs of post OCP and the impact of such on each of the regions, but particularly the impact on the customers of the DSW? Result - no substantive is obviously reaching a 1, 2, 3, 5 (forgone-4) conclusion that is not fair, equitable nor reasonable.

Third, the members of AMPUA see no DSW benefits of consolidation in theory or in practice; and, instead, see only DSW cost subsidization of other regions; see only increases in DSW costs of operation and, therefore, must object and respectfully ask Western to stop the consolidation process because it has no benefits to the customers of DSW (or perhaps to Western RMR region either, unless the objective is to dollar cost average down the higher cost of RMR and increase the customer costs of running the DSW).

Fourth, AMPUA admits that consolidating of some functions like WECC/NERC compliance is sensible. Such does not require the magnitude and scope of consolidation effort that is currently under way.

Fifth, there is no demonstration that the imposition of travel and inconvenience upon DSW customers of travel to Denver to do business is a benefit. In fact, the DSW offices were moved to Phoenix from Boulder City Nevada as a convenience to customers (in terms of travel and affordability and time lost) in the DSW and not for the convenience of the employees of WAPA. The consolidation effort seems to reverse that customer-oriented philosophy and philosophically is the equivalent of relocating the DSW back to Boulder City if you are going to make your customers and our members travel to Denver.

Sixth, Denver is a higher cost area in which to live and travel to and from. Consolidating operational functions and management responsibility in Colorado makes no economic or operational sense.

Seventh, there have been at least three prior restructuring-consolidations undertaken by Western at great customer expense. The reasons were plain and easy to follow in each. In the beginning when formed the division of Western closely corresponded with locations of the Bureau of Reclamation ("BOR") from which the transmission and marketing functions were being separated. Sacramento, Billings, Boulder City and Denver were BOR headquarters. CRSP in Utah was added (after some internal discussion) to recognize the political significance of Utah. There was no transmission. UP&L made a deal so Western had none in Utah except by contract. The structures were elsewhere (except Glen). No function of Salt Lake or Montrose could not be handled in DSW or RMR. Such is true today. The current consolidation effort does not break out costs and does not break out economics; and instead shows an expense and no real net benefit (the theoretical and philosophical benefits are not represented as real dollar savings and customer benefits); and, in fact, causes DSW customers to subsidize the other customers in the proposed consolidated area which is not a tolerable result in these difficult times. Keep in mind, the DSW customers enjoy the benefits of a low cost Federal electric system. They do not want to exchange that low cost environment to raise their rates while lowering the rates of the RMR and CRSP.

Eighth, we understand the desire by CRSP to consolidate the transmission and generation functions into a single BA and do not oppose such an action. We would assume that the CRSP consolidation is driven by real and tangible benefits for the project. However, we would oppose any implementation that resulted in a cost shift under the guise of consolidation. If the CRSP consolidation indeed has real and tangible benefits to the project, any changes in costing should be

reduced from those benefits and not result in a cost shift from or to any other project. The CRSP allocation of costs have been looked at in the past many times, and simply setting the stage to again try to change the previous outcome should not be the goal or result of a consolidation process for CRSP.

For the above and other reasons (not to forget the proposal abandoning counting SCADA points as the best cost allocation methodology and instead adopting some abstract labor sharing concept of fairness which causes increased costs to DSW), AMPUA is compelled to ask that Western simply stop and abandon the consolidation concept and instead focus on surgical improvements like the consolidation of WECC/NERC compliance functions.

These comments are provided in conjunction with the verbal comments previously offered at various meetings.

AMPUA supports the comments provided by the Irrigation & Electrical Districts Association of Arizona in its May 22, 2009 letter pointing out how unfair the subsidy from DSW to RMR is and how a cure could be fixed, but AMPUA still believes the consolidation concept as presently envisioned should stop and the personnel dedicated and resources dedicated to it should be redirected to doing TIP and other projects. AMPUA also endorses some of the CREDA concepts, but hastens to point out that the dominant interest of the majority of its members lies in protecting the low cost DSW system and the Parker Davis and Hoover projects from unwarranted cost increases and inefficiencies of operation (while CREDA is focused predominately on CRSP facilities, some of which are admittedly of benefit to AMPUA members).

Thank you for the opportunity to comment on these issues. We look forward to working with Western as this process proceeds but sincerely hope Western will stop the consolidation effort and proceed with, as noted, a more surgical approach.

Very truly yours,

ARIZONA MUNICIPAL POWER USERS' ASSOCIATION

By _____
Its Executive Secretary

Cc: AMPUA Membership
Timothy Meeks, Administrator, DSW
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Robert S. Lynch, IEDA
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