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May 16, 2008

Mr. Timothy Meeks, Administrator
Western Area Power Administration
Post Office Box 281213
Lakewood, Colorado 80228-8213

Re: Initial Comments on April 24, 2008 Customer Meeting

Dear Mr. Meeks:

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.

Our members commend and encourage the actions of Western to achieve organizational economies and efficiencies without losing the valuable close customer contact within each region. Western has done this with Northern California and with Upper Great Plains. It would appear that goal is one Western has set for the Desert Southwest and RMR Region.

Our members have commented that certain functions should be centralized. They support consolidation of the FERC/NERC/WECC operations. However, Members believe if operations were in Phoenix DSW, cost of living savings to staff and customers would be \$500,000.00 or more annually.

Members' initial reaction to the meeting on April 24, 2008 is that Western has committed to adopt Option C.

Members believe the commitment to all consolidations under Option C is premature. More information is needed. More responses to customer questions are required.

History:

The institutional memory at Western requires recognition that when created, after initial evaluation of efficiencies and economics of the new organization after consultation with the Bureau of Reclamation, there were only two (2) regional offices to be created: one in Billings and one in the Desert Southwest (Boulder City, Nevada/Phoenix). The Administrator's office was to be in Colorado. The idea for creation of RMR and the Utah Office was a political consideration and had nothing to do with the initial evaluation of the senior and seasoned Western and BOR employees who were familiar with every aspect of running the WAPA/BOR operational electric system and their initial recommendation of how to best operationally administer the resources of Western on behalf of the beneficiaries (customers). Subsequently, in the realignment of Western there was consideration given to eliminating the Salt Lake City/Montrose Office. Again, it was only due to political considerations that the Montrose Office and Salt Lake City Offices were retained. Creation of the Sacramento Office has been recognized as necessary and an important step. Seasoned Western personnel over a period of twenty (20) years have twice reached the conclusion the alignment of Western outside northern California is best served in terms of economics and efficiencies by regional offices in Billings and Phoenix, with a headquarters in Colorado.

What Has Changed:

The customers' question is: "What has changed?" After 20 years of technical analysis coupled with cost efficiency and effectiveness studies, what new data actually suggests (i) a Western operations move out of the Desert Southwest (WAPA now recognizes that Northern California, the Upper Great Plains and Billings should be left separate), and (ii) to consolidate Western control in the RMR (a political decision to begin with)? Western headquarters should remain in Colorado. The present arrangement has worked well for thirty (30) years and customers are happy. Show a matrix of decisional factors comparing prior years' evaluations to the present Option C.

Our members are concerned the DSW and other planning support staff reporting to a remote Regional Manager under the current proposal further desensitizes a Western organization already hard to talk and deal with because of regulatory impediments. Interjection of more distance between the Senior Regional Manager and customers creates, not lessens, the communication hurdles psychologically, physically and economically.

Brainstorming:

As mentioned at the meeting, our membership believes that brainstorming by Western requires input from customers, and the input from customers should be future first steps in developing future Western proposals. Comment has been made during "consensus

gathering" that in customer meetings a "butcher-paper" technique should be used setting forth both Western and customer ideas as captions with room for comment, and with Western then consolidating the information. This approach results in Western being able to consider customer input when designing the studies and analysis to properly consider the proposal and avoids post-hoc (after the fact) rationalizations of decisions made prior to understanding the customer's concerns.

Balancing Authority Consolidation:

AMPUA members are happy that Western listened to the input from customers concerning Balancing Authority consolidation. This change was greatly appreciated in Arizona.

One question is whether or not there was real study given to the concept of Control Area consolidation in the Desert Southwest (as originally contemplated) with a Subcontrol Area in Loveland (much as the original Western configuration determined there would be regional offices in Billings and in Boulder City [Phoenix]). One of the concerns of our membership about the Western proposal is that Western has not (despite comments) put the idea of Balancing Authority consolidation to rest. Our members are concerned Western will revive the idea after implementation of some or all elements of its new operational consolidation. Such a revival of the idea would be deceptive, if true.

Merchant Consolidation:

Our members are delighted Western listened to input on Merchant Consolidation. The concepts of Merchant Area Consolidation and Balancing Authority consolidation are worrisome to our members. Our members want assurance from Western these issues will not arise for action in the future without timely and substantial dialog with the customers and our Washington representatives. One of the membership concerns is that the Merchant Consolidation is another idea that Western has not actually put to rest. Members fear Western will revive the concept after implementation of some or all elements of its new operational consolidation. Such revival would be deceptive, if true.

Our members are strongly opposed to denying the Desert Southwest the opportunity to make settlements on deviations and imbalances with energy on an hourly basis rather than financial settlements. NERC and WECC seem to allow this flexibility and the disadvantage to our members of not allowing them to make energy settlements would be very significant and adverse to the integrity of their economic models. Standardization of practices that have been developed according to unique regional needs and expectations and (consistent with the fact that the Reclamation and Corps of Engineers projects, which generate the power marketed by Western, developed because of unique regional needs and expectations) cause our members to oppose unnecessary standardization. In the analysis by our members of rates paid,

Mr. Timothy Meeks, Administrator
5/16/08
Page 4

an estimate of two and half million dollars a year savings is not a sufficient economic savings upon which to base decisions of Western consolidation.

Funding:

As mentioned at the meeting, it seems the bottom line issue for WAPA is funding. Our members want to explore with Western different ways to assure there is necessary funding of the Western essential and necessary valuable services so Western can accomplish its core functions and its necessary functions, as these are perceived by the customers.

AMPUA members are glad Western is embracing efficiency issues and real cost savings. Our members want to participate and collaborate in additional timely dialog to find efficiencies and cost savings with Western attributed to its essential and core functions with ultimate benefit to be derived by the project beneficiaries which are the customers.

Very truly yours,

ARIZONA MUNICIPAL POWER USERS'
ASSOCIATION

By  _____
Its Executive Secretary

cc: AMPUA Membership
Congressional Delegation
J. Tyler Carlson, WAPA, DSW Region
Midwest Electric Consumers Association
Colorado River Energy Distributors Association