



CREDA

Colorado River Energy Distributors Association

ARIZONA

Arizona Municipal Power Users Association

Arizona Power Authority

Arizona Power Pooling Association

Irrigation and Electrical Districts Association

Navajo Tribal Utility Authority
(also New Mexico, Utah)

Salt River Project

COLORADO

Colorado Springs Utilities

Intermountain Rural Electric Association

Platte River Power Authority

Tri-State Generation & Transmission Association, Inc.
(also Nebraska, Wyoming, New Mexico)

Yampa Valley Electric Association, Inc.

NEVADA

Colorado River Commission of Nevada

Silver State Power Association

NEW MEXICO

Farmington Electric Utility System

Los Alamos County

City of Truth or Consequences

UTAH

City of Provo

City of St. George

South Utah Valley Electric Service District

Utah Associated Municipal Power Systems

Utah Municipal Power Agency

WYOMING

Wyoming Municipal Power Agency

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May 16, 2008

Mr. Timothy J. Meeks, Administrator
Western Area Power Administration

Via email: tmeeks@wapa.gov

Dear Mr. Meeks:

Following are questions and comments resulting from CREDA's review of the April 11, 2008 Response to Comments document, as well as the materials and information provided at the April 24, 2008 customer meeting in Lakewood.

GENERAL: CREDA provided comments on March 14, 2008 that we believe are still relevant to this ongoing consideration. In addition, CREDA appreciates the willingness Western indicated at the April 24 meeting to consider ways to mitigate costs to the CRSP project that may accrue due to operational consolidation as currently envisioned. It is imperative that Western define and determine specific cost allocation methodologies and impacts *prior* to making a final decision on this process, and that the costs/benefits of this proposal be re-evaluated prior to implementation. It is also imperative that Western not prejudge an outcome such as "CRSP costs will increase since it is in both regions". CREDA cannot support yet another cost shift to the CRSP project which results from another decision regarding operational or control area issues. It is clear that Western listened to the customers with regard to the balancing authority proposal, and CREDA is confident the same consideration will be given going forward with any operational consolidation.

CREDA appreciates the response given to our request that Western begin evaluation of consolidation of CRSP generation and transmission into a single balancing authority. Significant industry changes have taken place since implementation of the current split configuration. Changes in reserve and regulation requirements, transmission curtailment processes, emergency scheduling procedures, among other things, have impacted CRSP operations and business practices. We believe that project operations, scheduling and administration of this project could be simplified and that there could be operational and economic efficiencies to be gained by Western, Reclamation and the CRSP customers. We are prepared to work with Western to analyze this opportunity.

SPECIFIC: The following comments refer directly to the April 11 Response to Comments document. CREDA is not aware that additional documentation has been developed, but if there has been, we would ask that it be provided to the customers.

- 1) Section II.A. indicates the AGC function will be consolidated in Loveland, yet the document also says that many functions will continue as is in the DSW and RMR regions since there is little or no transmission linking them. Wouldn't you have to segregate two separate areas in the software and have AGC operate with those separate sets of loads and generation? Can an AGC software program run two simultaneous systems like that?

- 2) Section II.A. also indicates that prescheduling will continue to be performed in both offices. but prescheduling has disappeared in the Consolidated chart on Attachment C.
- 3) Section III.C. indicates that many "additional details are not available because it is so early in the development process." This implies that the cost estimate embedded in Table 1 must have a high level of uncertainty. Please see our General comment above.
- 4) Section III.D. appears to us to leave open the possibility of pursuing the consolidation of merchant activity at a later date. Is this correct?
- 5) How will the customers be able to determine, once consolidation takes place, whether Hoover and Glen would be used to balance the overall load? The responses in section III.E. indicate that this would not happen, but without having a lot of real-time and hourly data available, it may not be clear.
- 6) Regarding Section III.G: Do these links and capabilities exist today? If not, what are the costs of implementing them?
- 7) Page 14 indicates that "Consolidation...will allow Western to maintain only one OASIS site..." . Operating an OASIS site requires expertise and knowledge of the transmission system. If OASIS is in Phoenix then wouldn't Western need to relocate some Loveland employees to Phoenix to make this work. Page 17 says that no relocation of personnel is anticipated.
- 8) Page 16 indicates that each office will be a backup to the other office. What are the space requirements? Has consideration been given to additional computing power, terminals, etc to handle the workload from the other office?
- 9) Page 19 states that "...each office will continue to be responsible for managing its own assets." Isn't one of the stated purposes of consolidation intended to be to consolidate assets to create efficiencies? How does this statement pertain to the CRSP project?
- 10) Page 20 comments on subsidization of costs and the possibility that one region will penalize the other. This is possibly one of CREDA's most serious concerns about this proposal, given our experience with Transformation and cost allocations related thereto. Once a consolidation occurs it will be very difficult to determine whether subsidization is occurring; that is why it is imperative to have the allocation methodologies and analyses completed PRIOR to making a final decision.
- 11) Comment 10) above also applies to the information on page 26 regarding "benefits for ratepayers".
- 12) Section III.K. appears to imply that additional travel expense will be relegated only to the two positions indicated. That may be the case, following implementation, but has consideration been given to all the expense currently being incurred during development of the proposal, and to be incurred prior to implementation?
- 13) Section III.M. indicates that it is too early in the process to identify specific cost shifts. Again, please see our General comments above regarding identification of this information PRIOR to a decision being made.
- 14) Page 31 has a general statement that "all projects will be compensated for the services they provide." Has Western determined how it will identify those services and what methodologies will be employed to ensure fair and equitable compensation? Particularly in the GWAM/AGE areas, it may be very difficult to "assign" benefits, let alone determine a fair allocation methodology. It is

not clear to CREDA that the RMR and DSW offices currently employ the same cost methodologies for the same "services" being provided.

- 15) Pages 32 and Section III.N indicate that the costs per project have not been examined and that "Tracking of specific transformation related savings has not been done." CREDA suggests that unless steps are taken to address the specific allocations and costs prior to implementation of any proposal, the same situation will occur, as has been the case with Transformation.

Thank you for the opportunity to comment on these issues. We look forward to working with Western as this analysis proceeds.

Sincerely,

Leslie James
Executive Director

Cc: CREDA Board
Brad Warren
Jim Keselburg
Tyler Carlson
Tom Boyko

