

December 5, 2017

Mr. Rodney Bailey, Power Marketing Advisor
Western Area Power Administration
299 South Main Street, Suite 200
Salt Lake City, Utah 84111

Via email: SPP-Comments@wapa.gov

Dear Mr. Bailey:

The below comments are being submitted on behalf of a group of publicly owned utilities (POUs) in the Western Interconnection (“Western POUs”)¹ on the Western Area Power Administration’s (WAPA) Federal Register Notice (FRN) regarding “Recommendation for the Western Area Power Administration Loveland Area Projects and Colorado River Storage Project to Pursue Final Negotiations Regarding Membership in a Regional Transmission Organization,” published on September 21, 2017.

The Western POUs greatly appreciate the opportunity to submit these comments and respectfully request that WAPA accept these short comments past the officially stated deadline of November 27.

The Western POUs are not expressing explicit support for or opposition to the Loveland Area Projects (LAP) or the Colorado River Storage Project (CRSP) pursuit of final negotiations regarding membership in the Southwest Power Pool (SPP) in these comments. Instead, these comments provide a set of recommended principles for WAPA to follow during the negotiations and in the final determination of whether CRSP and LAP will join SPP.

The Western POUs recognize and respect that WAPA and each POU has the right to decide with its wholesale and retail customers how it wants to engage in regional markets. The Western POUs recognize the potential value from participation in a regional market, and a number of the Western POUs have agreed to join or are contemplating joining the CAISO’s Energy Imbalance Market (EIM).² But the Western POUs also recommend that certain core principles be followed when making the decision to participate in a regional market, such as SPP. These principles are as follows:

Full Analysis and Transparency of all Costs and Benefits. The Western POUs commend WAPA and other Mountain West Transmission Group (MWTG) participants for the issuance of three studies on the potential benefits from joining SPP for the MWTG entities as a whole, and for the LAP and CRSP regions. It is critical however that the full array of all costs and

¹ Included are the Balancing Area of Northern California, California Municipal Utilities Association, Chelan Public Utility District, Northern California Power Agency, Sacramento Municipal Utility District, and Utah Associated Municipal Power Systems.

² Seattle City Light; the Balancing Authority of Northern California and its member, the Sacramento Municipal Utility District; the Salt River Project; and the Los Angeles Department of Water and Power have all signed agreements to participate in the EIM.

impacts be analyzed as a result of SPP expansion, including the transmission cost, energy price and loop flow impacts for regions outside of LAP and CRSP.

Ensure no Customer Harm. Closely related to the above principle, an expansion of SPP should not only create a benefit to those who join SPP, but also avoid any net costs being assigned to or incurred by any individual POU as a result of such expansion.

Avoid Impediments to the Public Power Business Model. As has been well documented, POUs participating in the “Eastern” Regional Transmission Organizations (RTOs), which are the PJM Interconnection, ISO-New England and the New York ISO, have opposed rules in those RTOs’ mandatory capacity markets that can impede their ability to self-supply to meet their customers’ loads, most notably the buyer-side mitigation rules that can impose a floor price on resources bidding into the capacity auctions. Such rules also impede state energy resource decisions. An expanded SPP should therefore continue to avoid implementation of any mandatory capacity market and accompanying “buyer-side mitigation rules.”

Continue the SPP Governance Model. The Western POUs have issued governance principles should an expansion of the CAISO into a multi-state Regional System Operator come to fruition. Such principles were modeled upon key features of the SPP governance model, including a Regional State Committee with primary responsibility for regional cost allocation, resource adequacy and congestion rights; a Members or Markets Committee to provide input to the Board from a diverse array of membership; and an independent Board with open Board meetings. We support a continuation of these features under an expansion of SPP.

As the SPP footprint expands to include more publicly-owned utilities, the standing issue of the governance role of the POUs, as non-jurisdictional entities to state commissions, should be examined. In the discussions of an expanded CAISO governance, the Western POUs proposed a hybrid approach that included an advisory role for POU entities on the Western States Committee (WSC).³ Moreover, the CAISO’s second revised draft principles for regional ISO governance recommends the following non-voting representatives on the WSC: two individuals selected by publicly-owned utilities within the ISO footprint; and one individual from a federal power marketing administration in the West.⁴

The Western POUs understand that this issue has arisen in prior discussions and FERC proceedings involving SPP, and believe it may be appropriate to re-examine this issue as more POUs are included in the SPP footprint.

These comments do not address the MWTG requested modifications to SPP’s governance, including the creation of a Westside Transmission Owners Committee, the expansion of the

³ See public power governance principles at: http://docketpublic.energy.ca.gov/PublicDocuments/16-RGO-01/TN212171_20160707T151139_Charles_Braun_Comments_Public_Power_Comments_on_the_California.pdf

⁴ See CAISO second revised governance principles at: http://docketpublic.energy.ca.gov/PublicDocuments/16-RGO-01/TN213926_20161007T124539_Principles_for_Governance_of_a_Regional_ISO.pdf

Regional State Committee, and the expansion of the Board, as these modifications appear to fit with the current SPP governance model.

Preserve Preference Customer Access to Federal Hydropower. Participation in an RTO by WAPA or other Power Marketing Administrations (PMAs), should not impede any of the statutory rights of the preference customers to the federally generated hydropower, or increase the rates for such hydropower above what they would be in the absence of participation in an RTO.

Again, the Western POUs greatly appreciate the opportunity to comment on the potential for LAP and CRSP to join SPP.

Respectfully submitted,

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