



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 Energy Association

NEW MEXICO

Farmington Electric Utility System

Los Alamos County

Tri-State Generation & Transmission
Cooperative

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

Leslie James

Executive Director

CREDA

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July 22, 2009

Mr. Brad Warren
CRSP Management Center
Western Area Power Administration
P.O. Box 11606
Salt Lake City, UT 84147-0606

Email: warren@wapa.gov

Dear Mr. Warren:

Following are additional comments (supplementing the May 5, 2008 comments) on the Salt Lake City Area Integrated Projects Firm Power Rate proceeding (73 FR No. 3, January 4, 2008 and 73 FR No. 57, March 24, 2008), submitted by the Colorado River Energy Distributors Association (CREDA). These comments should be considered in conjunction with the verbal comments and questions offered at the June 25, 2009 informal customer meeting.

CREDA urges Western to continue evaluating power repayment study (PRS) apportionment obligation timing implications. The current accounting practice, while it may be legally sufficient, goes beyond the requirements and intent of the CRSP Act and does not produce the lowest possible rate to customers consistent with sound business principles, in accordance with RA 6120.2 and the Delegation Order (as cited by FERC in EF08-5171-000. This issue will continue to persist in future rate cases until Western finds a way to resolve it. The proposal offered by CREDA continues to maintain the legal obligations, yet would produce a significantly lower rate. As we learned at the June 25, 2009 customer meeting with regard to the timing of salinity obligations, Western clearly has the discretion to make PRS timing and methodology changes as long as they are consistent with the law.

Please do not hesitate to contact me with any questions.

Sincerely,

/s/ Leslie James

Leslie James
Executive Director

Cc: CREDA Board
Timothy J. Meeks
Carol Loftin

WESTERN AREA POWER ADMINISTRATION -
SALT LAKE CITY AREA INTEGRATED PROJECTS
COMMENTS OF THE
COLORADO RIVER ENERGY DISTRIBUTORS ASSOCIATION (CREDA)
REGARDING THE "STEP 2" PROPOSED RATE
TO TAKE EFFECT OCTOBER 1, 2009

The comments presented herein are in response to the proposed "step 2" adjustment in the firm power rate of the Salt Lake City Area Integrated Projects, which consist of the Collbran, Rio Grande and Colorado River Storage Projects.^{1/} The Integrated Projects will be referred to herein as "CRSP".

The Colorado River Energy Distributors Association (CREDA) is a non-profit organization comprised of electric utility systems and agencies, which in total purchase approximately 85% of the firm power from the CRSP. CREDA members serve over four million consumers in six western states. CREDA appreciates the willingness of Western and the Bureau of Reclamation (Reclamation) to work with CREDA and its members during the rate process and through the process referred to as the "work program review" process. We believe through this process as set forth in the 1992 agreement (Contract No. 92-SLC-0208 as supplemented), CREDA and the agencies have successfully mitigated a higher rate. However, the work program process during 2009 was somewhat unsatisfactory. In the upcoming processes, CREDA hereby requests that Western provide a clear "crosswalk" showing a comparison of actual experience to budget by line item.

CREDA encourages the agencies to be flexible throughout this process and appreciates consideration of the following comments. These comments supplement the verbal comments offered at the March 4 and April 10, 2008 Comment Forums, the May 5, 2008 written comments, and the verbal comments provided at the June 25, 2009 informal customer meeting.

As a general comment, CREDA appreciates the level of detail and description contained in the materials provided at the June 25, 2009 informal meeting. In addition to the apportionment comments provided, we believe there are some outstanding issues ongoing in this rate process.

TWO STEP RATE ADJUSTMENT

CREDA appreciates Western's implementation of our earlier recommendation to implement this rate in two steps. Should this process be undertaken in the future, we suggest that both steps include formal public information and comment forum elements, as well as a second filing by Western at the FERC. This type of process would allow the customers a meaningful opportunity to comment and provide input to the process. Given the current level of the Upper Colorado River Basin Fund, we again recommend Western consider a "refinement" to the CRC concept, which CREDA believes could be implemented in the current rate proceeding without significant revision to the CRC formula and definitions. Specific comments and recommendations follow.

- I. IRRIGATION ASSISTANCE: As discussed on June 25, 2009, an "issue paper" will be developed by Western and Reclamation, in consultation with CREDA, that will describe in detail the issue of cost allocations (i.e., the "shift" from ag to m&I) and the increase of over \$5.5 million in construction repayment and an additional \$19 million apportionment allocation to power. Secondly, CREDA believes that much of the impetus for the proposed rate increase stems from the acceleration of the pinch point. The accelerated pinch point results from the inclusion in the CRSP Power Repayment Study (PRS) of projected obligations and conditions concerning irrigation assistance for projects that are highly speculative or in fact nonexistent. While a PRS by its very nature looks forward many years to ensure that future reimbursement and repayment obligations can be met, projections must reflect *existing conditions* and *reasonable expectations* of future costs. This principle corresponds with the "known and measurable" and "used and useful" standard typically applied by regulatory commissions. With regard to CRSP rates and the Irrigation Assistance projects, it should also be recognized that the apportionment mechanism causes, in effect, a five-fold repayment of investment. As a result, existing rates (absent inflation in o&m expenses, etc.), are already sufficient (in fact, OVERLY sufficient by about \$642 million) to repay all existing and contemplated federal investment related to irrigation for completed projects and projects under construction. CREDA believes its apportionment proposal complies with the repayment obligation, does not harm State interests, and would result in a significant reduction of the proposed rate. CREDA recommends that

^{1/} Notices published in the Federal Register, Volume 73 No. 3, January 4, 2008 and Volume 73 No. 57, March 24, 2008.

apportionment costs associated with unauthorized, unconstructed and unidentified projects be programmed into the PRS beyond the pinchpoint.

- II. CRC "ADJUSTER"/CREDIT: CREDA recognizes that the Upper Colorado River Basin Fund is not specifically tied to the rate adjustment process; however, it does have connection in that the CRC mechanism is triggered in part by Basin Fund levels. Given the existing status of the Basin Fund and Western's projection that it may be approximately \$83 million at fiscal year end, coupled with the anticipation that additional AHP revenues will flow into the Basin Fund over the next few months, CREDA proposes that Western consider the development of a "credit" mechanism whereby when actual purchased power expenses do not meet projections, a credit be returned to the firm power customers. CREDA would like to work with Western in developing such a mechanism, which could be conceptually similar to that which has been in place in the Southwestern Power Administration (SWPA) regarding its purchased power program for several years. One approach could be to compare the estimated cost of purchased power to the actual cost at the end of the fiscal year; the differential could be credited back to all customers in the form of either an adjustment to the CRC, or a bill credit per MWH on the next succeeding year's billing. There may be other approaches that Western could recommend. CREDA requests that Western review and consider related rate orders from the FERC in dockets EF83-4011-000 and EF88-4011-000, which provide discretion and flexibility to the agency in dealing with purchased power-related revenues and expenses. Historically, Western and CREDA have had annual discussions, pursuant to the 1992 Agreement^{2/}, with regard to the Basin Fund, cash management and returns to Treasury. This consultation should include discussions regarding a credit mechanism and CREDA requests that this consultation begins as soon as practically feasible. CREDA recommends Western consider a "credit" mechanism to address purchased power revenues and expenses, which could be addressed through the CRC. Alternatively, Western could recommend other approaches.
- III. SITE SECURITY COSTS: CREDA requests additional detailed information regarding why the guard and patrol post-911 reimbursable costs have increased. It is CREDA's understanding and expectation that following passage of legislation in May 2008 capping the customers' obligation that this level should have decreased.
- IV. GLEN CANYON COST REALLOCATION: CREDA requests additional information as to the status of this obligation contained in the Grand Canyon Protection Act. It is CREDA's position that the reallocation should be retroactive, and should include o&m as well as capital costs.
- V. ANIMAS "FOOTNOTE" LANGUAGE: CREDA requests clarification of the "legal waiver" footnote language referring to the investigation costs of the Animas LaPlata Project. It is CREDA's position that, consistent with legislative report language in the authorization of this project, no costs of any type should be allocated to the power function, as there is not an agricultural irrigation feature of this project.

^{2/} Letter Agreement No. 92-SLC-0208 and Agreement No. 96-SLC-0315.