



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

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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July 28, 2011

Ms. LaVerne Kyriss
Western Area Power Administration
Email: finalprinciples@wapa.gov

Dear Ms. Kyriss:

The Colorado River Energy Distributors Association (CREDA) represents firm electric service customers of the Colorado River Storage Project (CRSP) who purchase a majority of the CRSP resources. CREDA appreciates the opportunity to comment on the Revision to the Final Principles of Integrated Resource Planning for Use in Resource Acquisition and Transmission Planning (FRN Vol. 76, Number 125, June 29, 2011). Further, CREDA appreciates Western's posting of a "redline/strikeout" version of the proposal as it compares to the 1995 Final Principles.

CREDA offers the following comments and questions and is prepared to further discuss the issues at Western's convenience.

1. CREDA supports elimination of the transmission planning principles and believes that the rationale for doing so is sound.

2. **PURPOSE AND NEED:** CREDA remains unconvinced that there is a need for a Western-wide set of resource acquisition principles, given the contractual and operational relationships that have evolved over years and that are unique to each project/marketing area. At the July 21 public meeting, Western pointed out that the revisions are necessary "to meet today's needs". Specifically what are those needs? Western also indicated that no long-term (greater than 5 year) purchases have been made since the 1995 Principles were finalized. Are there existing customers or industry groups urging revision of the principles? If so, please identify. CREDA recommends that Western consider withdrawing the Resource Acquisition portion of the proposal, or, in the alternative, not finalize the proposal until additional customer discussion can be held to explore some of the questions and comments below:

A. There are processes in place that have been developed by Western and its customers in individual regions to address drought, resource and financial issues. These processes and proposals have been developed over a period of years following extensive collaboration between Western and the customers and among the customers themselves. How would the prospect of Western making long-term purchases, on either a Western-wide or project-specific basis, fit with, or work with, existing processes? In the CRSP region, examples of these processes include the AHP, CDP, WRP programs. These collaborative efforts should not be superseded or impacted by the proposal. Due to the differences in state and local regulations and the diversity of the West, Western has recognized that "one size doesn't fit all," so what is the need for Western-wide criteria that may ultimately be so broad as to be meaningless? For example, when a commenter at the July 21 meeting asked specifically how different resource types would be "ranked," the response was that it might vary by region. It appears that the criteria would have to be so general they might provide no benefit whatsoever and could ultimately be a hindrance in meeting the needs of the customers on a project-specific basis.

B. Given the variability of the hydrology, what methods/models will Western employ to make an initial determination of a resource need? Will the need consider capacity, energy, or both? Would the need be based upon a customer's request? Would the customer then be obligated under a take or pay regime to reimburse Western so other customers are not burdened by a poor decision making process.

C. Project-specific customers should be consulted at all stages of any proposed long-term resource acquisition. The 1992 Work Plan Agreement as supplemented anticipates this consultation because ultimately the customers bear the risk. Hence, resource acquisition is not solely a federal decision. What criteria will be employed to determine a need? Is there an implication that all customers would be responsible for the cost of a purchase, or, as one commenter asked, is there an ability for an "opt-out" or customer choice program?

D. Fundamental principles should be developed in consultation with project-specific customers. Issues associated with such principles include, but are not limited to: the implementation of long-term purchases only after a meaningful consultation with the project customers and only after appropriate risk management and analytical support has indicated that a purchase is prudent. In other words, speculative purchases would not be considered. In addition, the provisions and requirements of the Dodd-Frank Act need to be reviewed to determine whether there are any implications of Western contracting on behalf of customers, especially if Western were to use any hedging mechanisms to manage the risk of these purchases.

E. If an individual customer wants to make a purchase in lieu of Western making a purchase, or to have Western make a supplemental purchase on its behalf on a pass-through cost basis, does Western already have that ability? If not, we would be supportive of doing that as long as the other customers not participating would not be burdened with any of the costs associated with purchasing and managing those "side" purchases.

F. All hydropower resources should be included in any definition of "renewable". It seems incongruous that Western would provide Renewable Energy Credits (RECs) to its customers for the hydroelectric resources they purchase and yet not define the hydroelectric resources Western markets as renewable.

G. If Western were to contract for long-term resources under these proposed principles and was to experience a banner water year, such as 2011, who would be responsible for the cost of the purchases, especially if those purchases subsequently had to be sold at less than the cost of the purchase? That is a concern given the uncertainty associated with hydrology and forecasting over a multi-year period.

H. Customers have worked to establish resource expansion plans and risk management plans that are based on assumptions regarding existing long-term purchases from Western. These assumptions include expected capacity amounts, energy amounts and expected rates. If Western were to implement long-term purchases, it could disrupt and counteract the intent of existing planning and risk management programs.

CREDA believes that Western and its CRSP customers have had a long history of collaboration on rate, resource and financial issues (such as the AHP, "stepped SHP" and CDP/WRP processes). We believe the Resource Acquisition portion of the proposal warrants further dialogue. We appreciate your consideration of these comments.

Sincerely,

/s/ Leslie James

Leslie James
Executive Director

Cc: CREDA Board

From: "Joe W. Mulholland" <joe@powerauthority.org>
To: <finalprinciples@wapa.gov>
Date: 7/29/2011 2:24 PM
Subject: Comment on the Revision to the Final Principles of Integrated Resource Planning for Use in Resource Acquisition and Transmission Planning (FRN Vol. 76, Number 125, June 29, 2011).
Attachments: 110728 IRP comments final.docx

Ms. LaVerne Kyriss

Western Area Power Administration

Dear Ms. Kyriss:

We support the comments (attached) submitted by Leslie James and the CREDA organization on the Revision to the Final Principles of Integrated Resource Planning for Use in Resource Acquisition and Transmission Planning (FRN Vol. 76, Number 125, June 29, 2011).

Joseph W. Mulholland

Arizona Power Authority