



**CREDA**  
**Colorado River Energy Distributors Association**

*Joe Webber*

**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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February 18, 2008

Mr. Tyler Carlson  
 Mr. Jim Keselburg  
 Mr. Brad Warren (via email)

RE: Western's Proposed Operational Consolidation

Gentlemen:

As follow-up to the questions CREDA asked at the Phoenix and Loveland meetings last week, following are additional questions, which are based on our review of the December 2007 study. Specific references to the report are included following the question/comment.

CREDA is interested in providing additional comments/questions following our receipt of Western's responses. We also support Western holding additional customer meeting(s) as the process proceeds. We are interested in working with Western on all other aspects of the strategic planning process that is being undertaken.

COST/BENEFITS/GENERAL

- 1) Has a cost-benefit analysis been completed? What are the anticipated impacts to each Western project in terms of costs and savings? What are the implications to cost allocations (multi-project cost factors). The costs needs to be measured against the savings (which aren't mentioned) to see if the proposal makes sense (A.3.3, A.8.2.4)
- 2) Attrition: what are Western's expectations re attrition in the next 5 years? How do those assumptions impact this proposal? (1.c)
- 3) What are the expected impacts on employee travel costs? What has been the actual experience over the past 3 years? (2.c)
- 4) What were the actual results from the prior consolidation compared to what was projected? What were the estimated costs of consolidating communications, dispatching, etc. along with the projected benefits as compared to actuals? (1.c)
- 5) Has Western considered discussion with an outside consultant and/or companies who have done something similar recently advising on SCADA work? This is a significant undertaking, and CRSP has been assigned significant SCADA costs over the years. (3.a), (1.c)
- 6) The study indicates the need for a manned alternate control center (ACC). (1.a.ii). If NERC doesn't require a manned backup control center, what is driving that requirement and couldn't an unmanned ACC result in significant cost savings?

7) The report does not address the merchant function – where and when will that assessment occur? It seems consolidation of the merchant activities for CRSP could result in cost savings and efficiencies. The study does refer to a merchant desk at DSW developed in May 2007. What are the associated costs, functions and how are the costs allocated?

8) What are the implications of a “no action alternative”? (A.8.1.1) Is it a foregone conclusion that “no action” will result in higher costs to the customers? Has Western addressed the feasibility of reassigning functions as opposed to just adding functions/FTEs?

9) The study raises a question of Western’s mission: is it to become a “world class transmission provider” or is it to market the federal hydropower resource to its customers or is it somewhere in between? The study could be read to infer it is the former. (See also language in Appendix K)

#### TRANSMISSION

- 1) Please explain WHY “coordination of the TSP function is the driving force” (2.c)
- 2) How much effort is involved in developing “separate Transmission Services organization?” Is the main purpose to fully implement the separation required by FERC 888, or some other purpose? And how many additional staff would be required for a “separate contract staff for the transmission function”? (2.d).
- 3) Combing balancing authority functions implies that energy is flowing back and forth from one area to another, which takes dedicated transmission to make that work. Currently there is little or no available transmission capacity linking RMR to DSW. How will a combined balancing authority perform its required functions without using transmission that is currently being used by Western’s customer’s for delivery of Project resources? Will transmission that is currently dedicated to delivering Project generation be reassigned to the consolidated balancing authority functions?

#### IMPLEMENTATION

- 1) Who will do all the work required in the list of tasks in 3.a? If it is to be existing employees, how will they balance and complete their other responsibilities?
- 2) How long did the communications related work take in the previous consolidation? (3.b)
- 3) What is meant by a “risk to system operations” in 3.c?

#### SPECIFIC COMMENTS ON APPENDICES

- 1) A. 2.1: Please provide the study that explains “duplicative costs”. Also, “need to be consolidated into a single entity” raises the question of what are the impacts to individual projects?
- 4) A.3.4: how is reference to a “high level of generation-related ancillary services” considered a success factor?
- 5) A.4: Aren’t customers considered Key Stakeholders? How will this schedule and process factor in that input?
- 6) A.7.1: This implies that only program direction costs will be incurred for this project. Is that true?
- 7) A.8.2.4: see comments above re cost analysis. This timing seems backward.

- 8) A.9.2.8: see above comments re cost analysis. It seems that cost analysis should be completed BEFORE a project plan is completed to determine feasibility.
- 9) E.: It appears consolidation could be very expensive and highly disruptive; yet, it appears the "savings" could be 4-5 FTE?
- 10) F-G: SCADA and communications systems tend to be quite expensive. What is the net present value of the savings? What are the implications, by project, of the costs and timetables? Have allocation methodologies other than SCADA points been considered and assessed?
- 11) K-L: These documents appear to contain subjective "sales pitch" type language that in some cases appears to be subjective as opposed to factual.

We appreciate Western's desire to "look forward" at strategic opportunities and ways to address additional challenges emerging in changing electric markets. However, we can't overemphasize the need to focus on the efficient and cost-effective delivery of the federal hydropower resource to the firm electric customers. We look forward to working with you on these issues.

Sincerely,

*/s/ Leslie James*

Leslie James  
Executive Director

Cc: CREDA Board