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## ARIZONA POWER AUTHORITY

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Via US. Mail and Email

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RE: Comments of the Arizona Power Authority re Notice of Recommendation for the Western Area Power Administration's Rocky Mountain Region and Colorado River Storage Project Management Center to Pursue Final Negotiations for Southwest Power Pool Regional Transmission Organization, and for Expanded Participation by Upper Great Plains Regional in SPP RTO (88 Fed. Reg. 26298, April 28, 2023) ("Notice of Recommendation")

Dear Ms. Johnson:

The Arizona Power Authority submits the following comments on the Notice of Recommendation published in the Federal Register by the Western Area Power Administration ("WAPA") on April 28, 2023 (88 Fed. Reg. 26298).

### **Background**

1. The Arizona Power Authority ("Authority") is a corporate and political body of the State of Arizona. The Authority is charged by the State of Arizona to "bargain for, take and receive, in its own name on behalf of the state, electric power developed from the waters of the mainstream of the Colorado river by the state or the United States or any agencies thereof which by provisions of state or United States law, agreement or regulation may be made available, allotted or allocated to the state in its sovereign capacity." The Authority is the designated contractor for the entitlement of the State of Arizona's electric hydropower output of capacity and energy, associated with the Boulder Canyon Project ("BCP"), also known as Hoover Dam. The Authority and many Native American Tribes in Arizona hold the entire allocation of BCP power in Arizona and many use the

Parker Davis and Intertie transmission systems to deliver that power in Arizona, including BCP contractors like NTUA on the Colorado River Storage Project (“CRSP”) transmission system.

2. The Authority receives its entitlement from WAPA, whose role is to market and transmit wholesale electricity from multi-use water projects throughout 15 states in the central and western United States.
3. The Authority markets and schedules this Hoover Dam hydropower entitlement to 63 power customers in the state of Arizona consisting of tribes, cities and towns, irrigation and electrical districts, and the Central Arizona Water Conservation District. Many of the Authority’s customers also hold hydropower contracts with WAPA from the CRSP.
4. The Authority sits on the Board of the Colorado River Energy Distributors Association and has been actively involved in discussions regarding WAPA CRSP possibly joining the Southwest Power Pool (“SPP”) Regional Transmission Organization (“RTO”). Any decision by WAPA CRSP, by virtue of the interrelated nature of the service territories in the west, will potentially have far ranging impacts on our customers.

### **General Comments Regarding the Recommendation**

5. Ultimately, the fact that WAPA intends to move forward with the record, as established to date, raises fundamental concerns for the Authority, with regards to the intent with which WAPA intends to honor existing Firm Electric Service (“FES”) contracts and operational solutions. This calls into question WAPA’s intentions to ensure the benefits of the Federal Power Program are delivered to the intended beneficiaries, in accordance with the existing law and executed contracts. To the extent that WAPA intends to deprive existing FES contractors residing outside of a proposed footprint contracted for benefits, WAPA will be setting a precedent for other FES contractors. For the Authority, this would signal that BCP contracts are at risk, as well as operational agreements. In this regard, the decision to negotiate with SPP for CRSP membership has broader implications and certainly much more than delivering the benefits of the SPP RTO for the twelve percent of the CRSP load that will reside in the SPP footprint. We urge you to act in the interest of all CRSP customers and the sanctity of the Federal Power Program as a whole.
6. With this same precedential concern, the Authority recommends WAPA adopt the following principles to serve as guideposts in any future attempt to join a structured market. These principles, if adopted, will provide protection for existing FES contractors, in the likely event of continued expansion of structured markets in the west.
  - a. RTO implementations should ensure equal and full access to federal hydro resources and resource attributes for customers located inside and outside of the RTO footprint in accordance with existing contracts.
  - b. Transition of federal hydro resources to an RTO should intend to address discriminatory treatment and disadvantage to customers located outside of the RTO footprint.
  - c. Customers must be assured the same attributes of federal hydro resources will be provided to the customers located inside and outside of the RTO footprint through final negotiations and implementation of readily available technical solutions.
  - d. Special consideration and evaluation must be placed on understanding the access and benefits of transmission assets tied to federal hydro resources in RTO transitions (i.e.

customers need to be ensured they receive delivery priority and benefits of the transmission regardless of their RTO footprint).

### **Specific Comments Regarding the Recommendation**

7. Section 1232 of the Energy Policy Act of 2005 requires WAPA to specifically delineate how any final agreement executed between SPP and WAPA will ensure consistency in delivering the full benefits of existing FES contracts. Administrator LeBeau in recent comments to the Natural Resource subcommittee on Water, Wildlife, and Fisheries, made the following statement, “The communities we serve have a wide variety of energy interests and needs; for example, we are always cognizant that what works in Montana may not work in California, and customer needs in Arizona differ from those in Colorado.”<sup>1</sup>

WAPA clearly recognizes the differing needs among customers. Yet, based on the questions asked by concerned interested parties and the responses provided by WAPA, at public meetings hosted by WAPA, WAPA has undertaken very little analysis studying the range of options available to WAPA to maximize the full benefits of the FES contracts. An example of this shortcoming is that WAPA did not evaluate the possible benefits of the CRSP resources being placed in any other market, including the Western Electricity Coordinating Council (“WECC”) markets where WAPA’s CRSP project has resided for decades.

8. Another weakness of WAPA’s evaluation process is the lack of a study related to the range of benefits and detriments to any FES customers located inside the WECC footprint. WAPA failed to study its impact on WECC. For WAPA to make non-discriminatory decisions based upon a balanced analyses on all of its Contractors, not just a few, the Authority strongly requests that WAPA, before any final decisional document is signed, undertake the necessary equitable and full analyses to truly study the wide range of possibilities available to WAPA CRSP. In addition, WAPA must give just consideration to the analyses in its decision making to ensure FES customers located outside of the SPP RTO footprint receive the full benefits of their resources, in respect to their FES contracts.

Further, WAPA must commit that it will not finalize membership in SPP for CRSP resources, if WAPA cannot secure the necessary arrangements to provide the benefits of FES contracts through participation in SPP. Failure to include this condition as a prerequisite to WAPA agreeing to final negotiations would suggest that WAPA does not intend to address the possible discriminatory treatment and disadvantage to customers located outside of the footprint.

9. The Authority is concerned with WAPA’s obligations to Native American Tribes. In reviewing this matter, the Authority is reminded of the 2005 Energy Policy Act and its meaning to many of WAPA’s customers. The Authority, as well as many others, were instrumental in putting forth language in the 2005 Energy Policy Act, to include Native American Tribes in the Federal Power Program. The Authority worked to create Tribal preference in every federal project, to provide benefits to them and inclusion. We hoped they would join many of the other rural areas of Arizona in the benefits of having a federal hydropower allocation and use the allocation to help them grow

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<sup>1</sup> <https://www.energy.gov/sites/default/files/2023-05/May%202023%20HRN%20WAPA%20Final%20Testimony%20of%20Tracey%20LeBeau.pdf>

and develop like the rest of the west, under federal reclamation laws. The current Arizona Power Authority Chairman, along with others, testified in the United States Congress about adding Tribal Customers into the Boulder Canyon Project. Authority staff and customers traveled and met with numerous Arizona Tribes to assist them in becoming federal hydropower contractors. WAPA and other federal agencies also assisted in this effort.

After the Energy Policy Act was established, many Tribes were encouraged by their interaction with state and federal agencies and many signed federal power agreements for BCP and CRSP hydropower. The new Tribal contractors helped negotiate the new 50-year agreements and their participation provided new benefits to the entire BCP and CRSP, and their associated MSCP environmental programs. The Authority believes WAPA has a unique and special obligation to make sure those Tribal federal power contractors' needs are included and considered in this process. It is paramount that WAPA treat them fairly, inclusively, and in accordance with the obligations contained in the Energy Policy Act.

10. The Authority would also offer observations on the possibility of a technical solution that would address most all the concerns already described. The Authority, and many other BCP contractors, negotiated a dynamic scheduling system for BCP that accommodated all the BCP contractors who resided in many different markets and tariffs. The BCP contracts include provisions that assure the delivery of the full benefit of the BCP hydropower resource to every BCP contractor. We have seen firsthand that this approach can and will work.

The Authority participated in several discussions with WAPA and other customers not in the SPP footprint, prior to the filing of the Federal Register Notice ("FRN") on this subject. The Authority received what we thought was an assurance from WAPA that a technical solution would be identified that preserved the full benefit of the CRSP hydropower resource for customers outside the SPP RTO footprint. An additional agreement was thought to have been reached regarding the specific language that was to be included in the FRN. That language was not included in the FRN or the Recommendation Report. The Authority believes WAPA must include in any decisional document a fully developed plan to implement the principles contained in the "Colorado River Storage Project Bifurcation - Principles Attachment A," attached below, to ensure customers not in the SPP RTO footprint receive the full benefits of their hydropower resources.



Jordy Fuentes  
Executive Director

## Colorado River Storage Project Bifurcation — Principles Attachment A

### Executive Summary

The Colorado River Storage Project (CRSP) has provided long-term energy and resource adequacy (RA) benefits equitably to both Upper and Lower Basin regions. Western Area Power Administration (WAPA) CRSP's consideration to join the Southwest Power Pool Regional Transmission Organization (SPP RTO) should ensure that the attributes of the CRSP resources are preserved for all customers. The Arizona Power Authority is requesting WAPA negotiate the necessary terms to provide for a "bifurcation" of the CRSP resources so that customers outside the SPP RTO footprint are assured the same attributes of the CRSP resources that will be provided to the customers located inside the SPP RTO footprint.

### Principles

- Joining an organized market should not make a WAPA provided resource less valuable for a customer who is located outside of a market footprint.
- WAPA must negotiate with an organized market to ensure the benefits provided under the Firm Electric Service (FES) contracts are delivered regardless of the customer's location.
- Securing Dynamic Transfer of Southern Customers' allocations into WALC is a solution that could be used with hydroelectric projects use and RTO seams.
- CRSP Dynamic Transfer would be in accordance with the terms of the NERC dynamic transfer electronic signal and integration guidelines. Dynamic Transfer Reference Document Terms':
  - Dynamic Transfer Signal (DTS): The electronic signal used to implement a Pseudo- Tie or Dynamic Schedule using either a metered value or a calculated value.
  - Integration: Dynamic Schedule and Pseudo-Tie above means the value could be mathematically calculated or determined mechanically with a metering device and incorporated into the associated ACE calculations for the Attaining and Native BA.
- The Dynamic Transfer would split/bifurcate CRSP resource deliveries between WACM and WALC.
- The Dynamic Transfer would be calculated in accordance with the capabilities and limitations of the CRSP resources and Southern Customers' FES contractual allocations.
- The bifurcation would not allow for a customer to control or dictate project operations, WAPA in coordination with Reclamation would have ultimate control of the generations.
- Customers shall continue to communicate, submit, and make schedule changes in accordance with the CRSP Scheduling, Accounting, and Billing Procedures (SABP).
- CRSP may choose to de-rate real-time parameters to satisfy operations, including the modifications to ramp rates and capacity schedules set forth in pre-defined system operating procedures.
- The Dynamic Transfer bifurcation solution will require communication connectivity, unit testing, integrations, and reporting.
- The bifurcation solution shall not delay Upper Basin entities' potential of future SPP RTO participation and shall be transitioned in a manner that allows for proper testing, tuning, and system operating procedure development.