



IRRIGATION & ELECTRICAL DISTRICTS' ASSOCIATION OF ARIZONA

Jack Murray
Regional Manager, DSW Region
Western Area Power Administration
P.O. Box 6457
Phoenix, AZ 85005-6457

August 19, 2024

Re: Proposed 2028 Parker-Davis Project Power Marketing Plan (FRN Vol. 89, No. 98/May 20, 2024)

Dear Jack:

On behalf of IEDA, we are writing in response to the Federal Register Notice posted on May 20th, 2024.

IEDA appreciates the small 2% new entrant pool proposed, especially considering the 31.7% reduction in generation at Davis and 28.4% reduction at Parker since 2000. It is imperative that potential new allottees understand what they agree to if they receive an allocation. This includes taking responsibility for their portion of the undepreciated replacement advances and understanding how the deferred purchase power repayments could impact their future rates. These issues could severely change their calculus regarding signing the contract, especially for possible benefit crediting contractors.

The energy industry has seen significant changes since the last contract was signed, and our hope is that WAPA will account for this in the final firm electric service contract. Some of these changes are already baked into the FRN, like the sale of Renewable Energy Credits (RECs) and structuring the contract more like the Colorado River Storage Project with a small replacement power budget to help control future rates. We strongly support these changes, as they will help mitigate the rate impacts customers are seeing with the reduction of generation at the dams.

IEDA asks WAPA to consider the expansion of the reference of RECs to more align with the Hoover contracts. In the Hoover contract, customers are to receive the “environmental benefits” associated with their allocation. Some states’ Renewable Portfolio Standards don’t recognize old, big hydro as renewable. While we are working to help change this on a state and national level, there may be other evolutions in the power industry that could recognize other environmental benefits of hydropower. By aligning the language like Hoover, it puts the PDP

customers in a better position to take advantage of any emerging market that values environmental attributes.

Another emerging issue is the expansion of markets in the West. There seem to be three competing options for Arizona, with the real possibility of an outcome that could be different than our present situation during the new contract period. As CAISO, SPP, and the new West-Wide Governance Pathways Initiative jockey for position, IEDA requests the inclusion of language to protect its contractual rights in the face of changing market dynamics. In Hoover, this was accomplished with the dynamic signal. In SPP, we are working through this issue for some of our members using a pseudo-tie. While a specific technical solution might miss the mark on a future market decision, IEDA requests contract language that protects the value of their contracts in future market situations.

As markets continue to expand, and new intermittent generation comes online that doesn't fit the old electrical grid model, the value of transmission will continue to increase. That is why we appreciate that WAPA will protect the reserved transmission capacity in the future contract.

With the increase in intermittent resources coming online, the flexibility of hydropower to help integrate this generation becomes more important. The glut of solar in the shoulder seasons and the duck curve continue to create issues and opportunities for hydropower to assist. We know that water orders are the primary driver for generation at Parker and Davis Dam, but to the extent possible, we ask for increased flexibility to provide peak shaving in the summer and to avoid competing with dump solar in the shoulder seasons.

IEDA appreciates the effort from WAPA-DSW to preserve the existing customers' resource pool and provide a more workable construct for future rates.

IEDA represents 25 members in Arizona. IEDA has been in existence since 1962, with a primary purpose of protecting the contracts of its members for federal hydropower.

Sincerely,

A handwritten signature in blue ink that reads "Ed Gerak". The signature is written in a cursive, slightly slanted style.

Ed Gerak
IEDA