

Customer Comments and Western Responses from April 24, 2008 Customer Meeting

Background

Western began a strategic planning process in mid 2007. As part of that process, Western identified operations as a study area. Western began analyzing the existing operations functions and developing a proposal to better align the function for the future. Western sent this proposal to customers on December 14, 2007. Western received feedback from the customers requesting additional interaction and information. Western held meetings on February 12 and 14, 2008, in Phoenix and Loveland, respectively, with all interested parties. At the meetings, Western presented a more detailed proposal (posted on our Web site) and asked for comments. After receiving comments, Western analyzed them and developed responses which were posted on its web site on April 11, 2008. Western held an additional customer meeting on April 24 in Western's Lakewood, Colorado, office. At the meeting, Western asked for additional comments which, are analyzed and responded to in this document.

As a result of customer participation and comments (and the analysis performed by Western) Western has chosen to proceed with Operations Consolidation ("Option C" of the April 24 presentation). Western appreciates the participation of all the parties in this process and we are committed to continue working with the customers throughout this process. Western understands customers have concerns about moving forward without more information regarding the potential costs and impacts of Operations Consolidation. Western however believes that the information we have, along with the commitment to work with its customers regarding cost allocation and other specific details of Operations Consolidation, provides a sufficient basis for moving forward to position Western for the future and maximize the value of Western's resources for its customers. The implementation process will begin immediately to ensure a smooth transition to the new organization.

Again, thank you for your participation in this process, and we look forward to working with you throughout the implementation process.

Note: section and page number references in the following comments are referring to the [Western Area Power Administration's Operations Consolidation and Balancing Authority Consolidation Proposals: Response to Comments](#) report dated April 11, 2008.

A. Comments Supporting Operations Consolidation

Arizona Power Authority (APA) comment

We strongly support your efforts to maximize the value of the Western transmission facilities, and to ensure continued high reliability and availability of this system at cost-based rates. We all realize that the Western transmission facilities are the backbone of

electric transmission for the Western states, and they are vitally important to the public power systems. In the case of APA, Western provides the transmission path to deliver Arizona's share of the Hoover generation to the power authority and its customers throughout Arizona. The high reliability and attractive price of both the power and transmission service is of great benefit to the State of Arizona and especially to the customers we serve, many of which are involved in providing low-cost food for the entire country.

Response

Western appreciates your comment and will continue to strive to maximize the value of the Federal Transmission System.

APA comment

We are very pleased that you have chosen to pursue Option C and keep the same control area boundaries that are currently in effect. This plan gives the staff of Western the best control for operational reliability and availability of the Western Transmission System. It also allows consolidation of reporting functions into a single group which promotes efficiency and increased expertise in reporting to both the Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Corporation (NERC). Both of these entities are increasing their reporting requirements; and consolidating Western's expertise in one location increases the consistency, efficiency and quality of the required reports.

Response

Western appreciates your comment and agrees that Option C increases the efficiency and quality of Western's NERC and FERC compliance efforts.

APA comment

As you discussed in detail at the April 24 meeting, the real value of the Western Transmission System is based on its availability and reliability for public power users and all other users of the electric transmission facilities in the Western United States. By maintaining the high reliability of the system, you ensure that the system will be used at its optimum level, thereby decreasing the over-all average cost. You are right on target, and we encourage you to continue the high reliability and attractive economic pricing of the Western Transmission System.

Response

Western appreciates your comment. Western's goals are to continue to maintain the high reliability of the Federal Transmission System.

Colorado River Energy Distributors Association (CREDA) comment

CREDA appreciates the response given to our request that Western begin evaluation of consolidation of CRSP generation and transmission into a single Balancing Authority (BA). Significant industry changes have taken place since implementation of the current split configuration. Changes in reserve and regulation requirements, transmission curtailment processes, emergency scheduling procedures, among other things, have impacted Colorado River Storage Project (CRSP) operations and business practices. We believe that project operations, scheduling and administration of this project could be simplified and that there could be operational and economic efficiencies to be gained by

Western, Reclamation and the CRSP customers. We are prepared to work with Western to analyze this opportunity.

Response

Western agrees that significant industry changes have taken place since implementation of the split configuration for CRSP, warranting the review of the effectiveness of the present structure. Western has established a team under the leadership of Brad Warren, CRSP manager, to evaluate the impacts of the present split structure as well as options for consolidating the CRSP facilities in the Western Area Lower Colorado (WALC) or Western Area Colorado Missouri (WACM) BAs. Western's plans to consult with our customers on the findings of the evaluation and any recommended changes that may result from that effort.

Arizona Municipal Power Users' Association (AMPUA) comment

Our members commend and encourage the actions of Western to achieve organizational economies and efficiencies without losing the valuable close customer contact within each region. Western has done this with Northern California and with Upper Great Plains (UGP). It would appear that goal is one Western has set for the Desert Southwest (DSW) and Rocky Mountain (RMR) Regions.

Response

Western appreciates your comment and will continue to work closely with customers in each region..

AMPUA Comment

Balancing Authority Consolidation:

AMPUA members are happy that Western listened to the input from customers concerning BA consolidation. This change was greatly appreciated in Arizona.

Response

Western appreciates your comment and continued support.

AMPUA comment

AMPUA members are glad Western is embracing efficiency issues and real cost savings. Our members want to participate and collaborate in additional timely dialog to find efficiencies and cost savings with Western attributed to its essential and core functions with ultimate benefit to be derived by the project beneficiaries which are the customers.

Response

Western appreciates your comment and will continue to collaborate with customers in the pursuit of efficiencies and cost savings..

B. General Comments

CREDA comment

Thank you for the opportunity to comment on these issues. We look forward to working with Western as this analysis proceeds.

Response

Western is committed to working with the customers throughout this implementation process.

Irrigation & Electrical Districts Association of Arizona (IEDA) comment

As we understand the outcome of the most recent meeting you had in Colorado on April 24, 2008, of the various options that have been laid out for consideration in response to this issue, you have opted to further explore what was labeled as Option C. That option would retain two balancing area offices in Lakewood and Phoenix while consolidating operations to the extent that each would not require a backup office but could rely on each other in case of problems or emergencies. That is certainly a more palatable option on its face than the proposal to consolidate all of these activities in Colorado from our standpoint. We, nevertheless, think there are any number of as yet unanswered questions that will affect this outcome and any possible benefits that could be derived from it by the agency and, hopefully, by its customers.

Response

Western understands there are additional questions and issues that need to be worked through. Western is committed to working with the customers to address these issues during the implementation process.

IEDA comment

As you know, IEDA is a member of CREDA and CREDA has also submitted comments to you today. We endorse and support those comments and we look forward to working with you as this planning scenario develops.

Response

Western is committed to working with the customers throughout this process.

AMPUA comment

Members' initial reaction to the meeting on April 24, 2008, is that Western has committed to adopt Option C. Members believe the commitment to all consolidations under Option C is premature. More information is needed. More responses to customer questions are required.

Response

Western believes the analysis shows Option C is in the best interest of Western and our customers and is achievable in the near future.

AMPUA Comment

History:

The institutional memory at Western requires recognition that when created, after initial evaluation of efficiencies and economics of the new organization after consultation with the Bureau of Reclamation, there were only two (2) regional offices to be created: one in Billings and one in the Desert Southwest (Boulder City, Nevada/Phoenix). The Administrator's office was to be in Colorado. The idea for creation of RMR and the Utah office was a political consideration and had nothing to do with the initial evaluation of the senior and seasoned Western and Bureau of Reclamation (BOR) employees who were familiar with every aspect of running the WAPA/BOR operational electric system and their initial recommendation of how to best operationally administer the resources of

Western on behalf of the beneficiaries (customers). Subsequently, in the realignment of Western there was consideration given to eliminating the Salt Lake City/Montrose office. Again, it was only due to political considerations that the Montrose and Salt Lake City offices were retained. Creation of the Sacramento office has been recognized as necessary and an important step. Seasoned Western personnel over a period of 20 years have twice reached the conclusion the alignment of Western outside northern California is best served in terms of economics and efficiencies by regional offices in Billings and Phoenix, with a headquarters in Colorado.

Response

Western did not propose to close the Phoenix office. The decision is to consolidate the operations functions of the Phoenix office and the Loveland office by realigning the operations reporting structure of the Phoenix office under the regional manager in Loveland, CO. This proposal does not affect the remaining Phoenix office functions and most of the existing operations staff functions will remain in Phoenix, AZ.

AMPUA Comment

What Has Changed:

The customers' question is: "What has changed?" After 20 years of technical analysis coupled with cost efficiency and effectiveness studies, what new data actually suggests (i) a Western operations move out of the Desert Southwest (WAPA now recognizes that Northern California, UGP and Billings should be left separate), and (ii) to consolidate Western control in the RMR (a political decision to begin with)? Western headquarters should remain in Colorado. The present arrangement has worked well for 30 years and customers are happy. Show a matrix of decisional factors comparing prior years' evaluations to the present Option C.

Response

With the numerous new regulations concerning transmission services and operations activities, Western believes it is prudent to strategically plan for the existing and future workload. Various FERC Orders (such as 888 and 889), along with the 2005 Energy Policy Act and the NERC Standards all require the operations functions to operate under the same rules and use very similar procedures. By consolidating the similar operations functions of the Phoenix office and the Loveland office into a single reporting structure, Western is able to better focus scarce resources to meet our customers' needs.

AMPUA Comment

Brainstorming:

As mentioned at the meeting, our membership believes that brainstorming by Western requires input from customers, and the input from customers should be future first steps in developing future Western proposals. Comment has been made during "consensus gathering" that in customer meetings a "butcher-paper" technique should be used setting forth both Western and customer ideas as captions with room for comment, and with Western then consolidating the information. This approach results in Western being able to consider customer input when designing, the studies and analysis to properly consider the proposal and avoids post-hoc (after the fact) rationalizations of decisions made prior to understanding the customer's concerns.

Response

As a result of customer participation and comments, and the analysis performed by Western, Western has chosen to proceed with operations consolidation. Western is committed to work with the customers throughout the implementation process.

C. Communications

APA Comment

One of our concerns, however, regards the increased restrictions in communications caused by the new FERC and NERC regulations. Moving the reporting functions from Phoenix, Arizona, to Loveland, Colorado, provides an additional barrier to the efficiency of those communications within Western, and may frustrate communications between Western and its customers like the Power Authority.

Response

Operations consolidation will not have an adverse impact on how Western communicates with its customers and other interested parties. The commenter raises concerns that FERC and NERC regulations already restrict communication. Western has an approved FERC Open Access Transmission Tariff (OATT). As part of its OATT, Western complies with FERC's separation of function doctrine and standards of conduct. These doctrines place certain restrictions on Western's operations staff ability to share information with Western's or any other merchant staff. The purpose of these doctrines is to ensure non-discriminatory transmission access. Because Western already complies with these doctrines, operation consolidation will not lead to increased communication restrictions between operations and merchants. Furthermore, while operations consolidation will change the reporting structure, Western does not expect this will create any additional communication burdens. Western will have knowledgeable personnel in both the Phoenix and Loveland offices.

AMPUA Comment

Our members are concerned the DSW and other planning support staff reporting to a remote regional manager under the current proposal further desensitizes a Western organization already hard to talk and deal with because of regulatory impediments. Interjection of more distance between the senior regional manager and customers creates, not lessens, the communication hurdles psychologically, physically and economically.

Response

As discussed in the preceding response, Western is committed to following its OATT and will have knowledgeable personnel in both the Phoenix and Loveland offices. There will also be transmission planning staff and associated management in both locations. The Operations Consolidation plan identified the continued need to be part of regional planning organizations and Western has taken this into account in the new organization. One of the benefits of this consolidation is that it allows additional resources to be moved into the transmission planning areas, to strengthen them, in both offices.

D. Funding/Cost

APA Comment

You can ensure the high level of reliability on the Western system by continuing the maintenance and capital improvements programs. As you so deftly pointed out, congressional appropriations required to fund the necessary capital improvements are dwindling, and the burden to supply this money is falling upon Western's customers. As you know, we at APA have been working with you and the Department of Energy to develop new and effective funding mechanisms for such capital improvements. We need your continued support with the legal staff at the Department of Energy to bring our efforts to fruition. We continue to support a higher level of appropriations from Congress, and we will also continue to work with you to develop new and novel approaches for Western's customers to supply the necessary funds for capital improvements.

Response

Thank you for the commitment to help ensure Western has sufficient funds to perform our mission.

CREDA Comment

GENERAL: CREDA provided comments on March 14, 2008, that we believe are still relevant to this ongoing consideration. In addition, CREDA appreciates the willingness Western indicated at the April 24 meeting to consider ways to mitigate costs to the CRSP project that may accrue due to operational consolidation as currently envisioned. It is imperative that Western define and determine specific cost allocation methodologies and impacts *prior* to making a final decision on this process, and that the costs/benefits of this proposal be re-evaluated prior to implementation. It is also imperative that Western not prejudge an outcome such as "CRSP costs will increase since it is in both regions". CREDA cannot support yet another cost shift to the CRSP project which results from another decision regarding operational or control area issues. It is clear that Western listened to the customers with regard to the BA proposal, and CREDA is confident the same consideration will be given going forward with any operational consolidation.

Response

Western is committed to working with the customers to address these issues during the implementation process.

Western's cost analysis has shown that operations consolidation will result in annualized cost savings of \$2.1 million. Before Western fully implements Option C (Operations Consolidation), Western will review existing cost allocation methodologies and develop new methodologies, if necessary. Our objective will be to ensure that both costs and benefits are allocated equitably to the projects/customers. Western will discuss its cost allocation methodologies with interested parties before making a final decision on those allocations. Western expects to provide its proposed cost allocation methodologies to interested customers by September 1, 2008, for their review and input.

CREDA Comment

Page 20 comments on subsidization of costs and the possibility that one region will penalize the other. This is possibly one of CREDA's most serious concerns about this proposal, given our experience with Transformation and cost allocations related thereto.

Once a consolidation occurs it will be very difficult to determine whether subsidization is occurring; that is why it is imperative to have the allocation methodologies and analyses completed prior to making a final decision.

Response

See response to preceding comment.

CREDA Comment

Comment 10 (*immediately preceding above*) above also applies to the information on page 26 regarding “benefits for ratepayers”.

Response

As stated in our April response to comments, operations consolidation will result in estimated annual savings of \$2.1 million. This is a direct benefit to ratepayers.

CREDA Comment

Section III.C. indicates that many "additional details are not available because it is so early in the development process." This implies that the cost estimate embedded in Table 1 must have a high-level of uncertainty. Please see our General comment above.

Response

The costs in Table 1 of the referenced report were a “feasibility level cost estimate” put together by Western staff in each of the various work components involved in Operations Consolidation. This was a significant level of effort, but did not include a detailed design of the system and thus does have some uncertainty.

CREDA Comment

Section III.K. appears to imply that additional travel expense will be relegated only to the two positions indicated. That may be the case, following implementation, but has consideration been given to all the expense currently being incurred during development of the proposal, and to be incurred prior to implementation?

Response

Western has not tracked the travel costs associated with developing this proposal. Western will track costs associated with implementing this decision.

CREDA Comment

Section III.M. indicates that it is too early in the process to identify specific cost shifts. Again, please see our General comments above regarding identification of this information prior to a decision being made.

Response

See response to the second comment in this section above.

CREDA Comment

Page 31 has a general statement that "all projects will be compensated for the services they provide." Has Western determined how it will identify those services and what methodologies will be employed to ensure fair and equitable compensation? Particularly in the General Western Allocation Methodologies/Admin and General Expense areas, it may be very difficult to "assign" benefits, let alone determine a fair allocation

methodology. It is not clear to CREDA that the RMR and DSW offices currently employ the same cost methodologies for the same "services" being provided.

Response

The Phoenix and Loveland offices use similar cost distribution methodologies for the same types of services being provided. Western allocates most Operations functions costs based on Supervisory Control and Data Acquisition (SCADA) points. However, some costs are allocated based on line miles, tag counts, Open Access Same-Time Information System (OASIS) management, etc. As stated earlier, Western will review existing cost allocation methodologies, and develop new methodologies if necessary, before beginning implementation of Operations Consolidation. Western's objective will be to ensure that costs and benefits are allocated equitably to the projects/customers. Western will discuss its cost allocation methodologies with interested parties before making a final decision on the allocations.

CREDA Comment

Pages 32 and Section III.N indicate that the costs per project have not been examined and that "Tracking of specific transformation related savings has not been done." CREDA suggests that unless steps are taken to address the specific allocations and costs prior to implementation of any proposal, the same situation will occur, as has been the case with Transformation.

Response

Western will capture Operations Consolidation implementation costs.

IEDA Comment

We have previously participated in discussions and filed comments concerning various proposals that the Western has been studying for consolidating BA functions in large part as a reaction to the increased workload that Western is experiencing because of federal reliability criteria compliance work. We appreciate the dialogue that has taken place so far and we have found it informative and helpful. Our 25 members and associate members are contractors for federal hydropower with your agency or through APA or both. Thus, any administrative adjustments you make in response to your analysis of this additional work load have a direct and significant effect on our members.

Response

The Energy Policy Act of 2005 and associated NERC Reliability Standards require Western and other utilities to increase their monitoring and reporting of reliability compliance standard adherence. Western has been diligently pursuing ways to minimize the impact to Western's resources and its customers. The consolidation of the Operations functions in both of these regions will allow for additional increased efficiencies including major reductions in reporting and auditing activities.

AMPUA Comment

Our members have commented that certain functions should be centralized. They support consolidation of the FERC/NERC/Western Electricity Coordinating Council (WECC) operations. However, members believe if operations were in DSW, cost of living savings to staff and customers would be \$500,000 or more annually.

Response

Western agrees that Operations Consolidation will result in significant future efficiencies, particularly with respect to FERC, NERC and WECC activities. While Operations Consolidation centralizes the reporting of the Operations function under the RMR manager, it does not propose the centralization of the resources performing these functions. Operations Consolidation will use existing staff in their present locations, whether it is RMR or DSW thus avoiding the costs associated with relocation and/or a higher locality pay. As such, Western will be positioned to backup each BA with the other, provide localized transmission and operations services, at virtually the same labor costs it provides them today.

AMPUA Comment

Funding:

As mentioned at the meeting, it seems the bottom line issue for WAPA is funding. Our members want to explore with Western different ways to assure there is necessary funding of the Western essential and necessary valuable services so Western can accomplish its core functions and its necessary functions, as these are perceived by the customers.

Response

Western appreciates the commenter's commitment to fund necessary programs, as a prudent utility operator and a federal agency. Additionally, Western believes it is prudent to explore ways to reduce costs and to increase efficiencies.

E. Location

APA Comment

My own experience in the dispatching area has taught me that it is essential for dispatching personnel to know the system over which they have dispatching responsibilities. This can only be achieved by having local dispatch control for transmission lines and substations. Dispatchers must know and understand where the lines and substations are, who they serve, potential dangers and how to keep the facilities in service during normal operations and under emergency conditions. Not only is this important for continued reliability, availability and cost reduction; but, far more importantly, it is essential to protect the lives of the service personnel and general public in the area.

Response

Western's proposal does not impact reliability, safety or service in the areas. Dispatchers must have knowledge in a number of areas, including how to operate the system in normal and emergency conditions. As part of the prudent operation, Western agrees that dispatching personnel must be knowledgeable of the system. Nothing in Western's proposal, changes the knowledge or understanding that Western's dispatchers will have. Western will keep the dispatchers responsible for switching the system in both areas. They will be trained to be able to back up the other area in an emergency. Primary switching will continue to be done from each office. Other dispatch functions will be consolidated and result in savings.

APA Comment

We understand and concur with your decision to use the DSW and RMR Dispatch Control Centers as emergency backup locations for each other. Our concern is the experience level and familiarity of the dispatching personnel in one control center with the other control area's system. Cross training will help ensure that the staffs of each system have adequate knowledge to perform vital backup functions for the other.

Response

Western agrees that having dispatch offices in both Phoenix and Loveland will result in eliminating the need for additional Alternate Control Center's (ACC) and will enable Western to have a reliable backup system. Western recognizes that staffs will need additional training to gain the knowledge needed for any additional responsibilities. Western has included additional personnel in the dispatch rotations for this expressed purpose. Western also will periodically operate the system from the alternate office to ensure that our emergency plans are functional.

CREDA Comment

Section II.A. also indicates that prescheduling will continue to be performed in both offices. But prescheduling has disappeared in the consolidated chart on Attachment C.

Response

Transmission pre-scheduling will be consolidated into a single organization that will report to the Transmission System Scheduling (TSS)/Automatic Generation Control (AGC) manager in Loveland, but Phoenix pre-scheduling staff will remain in Phoenix. Transmission pre-scheduling activities will be processed in this organization. This is not to be confused with energy pre-scheduling which is a merchant activity.

CREDA Comment

Page 14 indicates that "Consolidation...will allow Western to maintain only one OASIS site..." . Operating an OASIS site requires expertise and knowledge of the transmission system. If OASIS is in Phoenix then wouldn't Western need to relocate some Loveland employees to Phoenix to make this work. Page 17 says that no relocation of personnel is anticipated.

Response

Western will merge the associated OASIS sites into a single OASIS. This function is essentially electronic. The function will use the staff expertise of both offices and can be accessed from either location. Western does not plan to relocate personnel associated with this function.

AMPUA Comment

One question is whether or not there was real study given to the concept of control area consolidation in the Desert Southwest (as originally contemplated) with a subcontrol area in Loveland (much as the original Western configuration determined there would be regional offices in Billings and in Boulder City [Phoenix]). One of the concerns of our membership about the Western proposal is that Western has not (despite comments) put the idea of BA consolidation to rest. Our members are concerned Western will revive the idea after implementation of some or all elements of its new operational consolidation. Such a revival of the idea would be deceptive, if true.

Response

Western analysis addressed numerous consolidation options, including having the consolidation take place at Phoenix. As stated in previous answers, Western chose Loveland because of previous work the Loveland office performed for WECC and the experience accumulated there as a result.

Western has analyzed consolidating the BA functions, but as stated by the Administrator, Western has decided not to further pursue BA consolidation at this time. Western does not believe it is prudent to state we will never look at BA consolidation in the future, but at this time we have decided not to consolidate BAs.

F. Hoover**APA Comment**

We are wary of attempts to integrate photovoltaic and wind projects into the Western grid by allowing Hoover's flexibility and dynamic signal to supplement these resources. Even if these resources are introduced as firm energy within the NERC standards, which only address a 10 minute average window, excursions within that window may be detrimental to the ability of the power system to maintain the balance of generation and load on a short-term basis as was recently experienced in Texas. We support solar and wind projects; however, we firmly believe these new resources should be economically justified and stand on their own merits. The Hoover dynamic signal provides a great advantage to the State of Arizona, and significantly reduces inefficiencies of fossil fuel generation during ramping and load following functions. This is a fundamental advantage of hydro generation and should not be abrogated or compromised in an effort to support less economic generation resources.

Response

Western agrees that generation interconnection projects, including solar and wind projects, must be economically justified and stand on their own merits. Further, Western is committed to the financial integrity of each Federal project, including the Boulder Canyon Project. To the extent that Western uses Hoover to support the WALC BA, it must do so with appropriate authority and with the appropriate accounting of its use to ensure the Project remains financially whole.

APA Comment

In conclusion, we are pleased that you have decided not to consolidate BA areas and thereby compromise the use of Hoover power regarding its legal service territory. As you know, the 1984 Hoover Power Plant Act specifically requires that Hoover power be used only in its assigned service territory of Arizona, portions of California and portions of Nevada. The Hoover power is an extremely vital and critical resource for the State of Arizona and its use outside of the legal service territory must not be compromised.

Response

Western understands that many customers believe that Hoover is an extremely vital and critical resource for customers within Arizona and portions of California and Nevada.

Nothing in the Operations Consolidation proposal will be inconsistent with Western's requirements under the Hoover Power Plant Act of 1984.

G. Technical Operations

Arizona Public Service (APS) Comment

With the proposed plan, the AGC desk will be at the RMR site. I'm assuming the communications equipment, monitors, etc. will be capable of having the DSW back up this function. However, I'm not sure about the people. Will there be folks at DSW that could pick up these duties in an emergency condition? I'd think this needs to be considered in your evaluations. Also, without continued training, I would expect that shortly there would not be any qualified people at DSW to perform that AGC function. These thoughts lead me to think there may be a back up short fall.

Response

Western will ensure staff's working the TSS desk in the Phoenix office are fully trained and capable of working the AGC desk as is presently the case in the Loveland office. Currently Phoenix TSS staffs do not back up the AGC desk. As, part of the training and preparedness efforts going forward under Operations Consolidation, we will periodically operate the AGC desk from the Phoenix office with the trained TSS staff there to ensure they are proficient and prepared to take functional control when required.

CREDA Comment

Section II.A. indicates the AGC function will be consolidated in Loveland, yet the document also says that many functions will continue as is in the DSW and RMR regions since there is little or no transmission linking them. Wouldn't you have to segregate two separate areas in the software and have AGC operate with those separate sets of loads and generation? Can an AGC software program run two simultaneous systems like that?

Response

The AGC function for both BA's will normally be operated from the Loveland office. The SCADA system will be configured to run two separate ACEs and control associated generation (similarly to Western's UGP Region) to balance loads and resources within each of these BA's. Western's SCADA will be modified to run two separate ACEs.

CREDA Comment

How will the customers be able to determine, once consolidation takes place, whether Hoover and Glen would be used to balance the overall load? The responses in Section III.E. indicate that this would not happen, but without having a lot of real-time and hourly data available, it may not be clear.

Response

Hoover generation would continue to be used to balance loads within the WALC BA as it is today. Glen Canyon generation is presently used for regulation in both the WALC and WACM and will continue to support CRSP load under Operations Consolidation.

CREDA Comment

Regarding Section III.G: Do these links and capabilities exist today? If not, what are the costs of implementing them?

Response

Links between the Phoenix office and the Loveland office are in existence, but they may not be not capable of fully supporting all of the Operations Consolidation functions. Most of the costs for Operations Consolidation are associated with increasing the capability of the system to support this consolidation.

CREDA Comment

Page 16 indicates that each office will be a backup to the other office. What are the space requirements? Has consideration been given to additional computing power, terminals, etc., to handle the workload from the other office?

Response

Operations Consolidation will allow both BA's to be operated from either location. Western does not anticipated that additional office space will be required for this backup. The additional computing power and work stations have been considered in this proposal. Western presently supports four SCADA systems in four different locations including an ACC for each office. The new configuration reduces the requirement to two SCADA systems, with one of them operating in back-up mode, in two locations.

CREDA Comment

Page 19 states that "...each office will continue to be responsible for managing its own assets." Isn't one of the stated purposes of consolidation intended to be to consolidate assets to create efficiencies? How does this statement pertain to the CRSP project?

Response

Operations Consolidation will consolidate the operation of the DSW and RM Regions' transmission assets under a single operations organization. It is through the consolidated operation of these assets including the planning, marketing, scheduling and dispatching, of these transmission assets that efficiencies are realized. This is particularly true today as these operations functions continue to become increasingly regulated through FERC's, NERC's and WECC's mandatory reliability standards and FERC's revised OATT.

H. Merchant Consolidation

AMPUA Comment

Merchant Consolidation:

Our members are delighted Western listened to input on merchant consolidation. The concepts of merchant area consolidation and BA consolidation are worrisome to our members. Our members want assurance from Western these issues will not arise for action in the future without timely and substantial dialog with the customers and our Washington representatives. One of the membership concerns is that the Merchant Consolidation is another idea that Western has not actually put to rest. Members fear Western will revive the concept after implementation of some or all elements of its new operational consolidation. Such revival would be deceptive, if true.

Response

Western performed a high-level evaluation of the merchant functions and decided we will not be pursuing merchant consolidation as part of this strategic planning process. We do not feel it would be prudent to state we will never look at merchant consolidation in the future, but again, as of now, it is off the table.

CREDA Comment

Section III.D. appears to us to leave open the possibility of pursuing the consolidation of merchant activity at a later date. Is this correct?

Response

See Comment above.

I. Settlements

AMPUA Comment

Our members are strongly opposed to denying the DSW the opportunity to make settlements on deviations and imbalances with energy on an hourly basis rather than financial settlements. NERC and WECC seem to allow this flexibility and the disadvantage to our members of not allowing them to make energy settlements would be very significant and adverse to the integrity of their economic models. Standardization of practices that have been developed according to unique regional needs and expectations and (consistent with the fact that the Bureau of Reclamation and Corps of Engineers projects, which generate the power marketed by Western, developed because of unique regional needs and expectations) cause our members to oppose unnecessary standardization. In the analysis by our members of rates paid, an estimate of two and half million dollars a year savings is not a sufficient economic savings upon which to base decisions of Western consolidation.

Response

Western will continue to work with the interested parties regarding the maintenance, development and implementation of standards and business practices that meet regional needs while comporting with applicable FERC, NERC and WECC standards and requirements.

Western takes note of the customer's comment questioning whether the estimated financial savings is sufficient to support the decision to implement operations consolidation. Western believes the increased efficiencies gained by consolidating operations into a single organization, while difficult to quantify, will result in additional savings in both time and money to Western's customers.

Acronym Glossary

ACC	Alternate Control Center
ACE	Area Control Error
AGC	Automatic Generation Control
AMPUA	Arizona Municipal Power User's Association
APA	Arizona Power Authority
APS	Arizona Public Service
BA	Balancing Authority
CREDA	Colorado River Energy Distributors Association
CRSP	Colorado River Storage Project
DSW	Desert Southwest Region
FERC	Federal Energy Regulatory Commission
IEDA	Irrigation & Electrical District Association of Arizona
OASIS	Open Access Same-time Information System
OATT	Open Access Transmission Tariff
NERC	North American Electric Reliability Corporation
RMR	Rocky Mountain Region
SCADA	Supervisory Control and Data Acquisition
TSS	Transmission System Scheduling
UGP	Upper Great Plains Region
WACM	Western Area Colorado/Missouri control area
WALC	Western Area Lower Colorado control area
WECC	Western Electricity Coordinating Council