



WELLTON-MOHAWK IRRIGATION AND DRAINAGE DISTRICT

30570 WELLTON-MOHAWK DRIVE, WELLTON, ARIZONA 85356

TEL: (928) 785-3351

FAX: (928) 785-3389

7 March 2008

Mr. J. Tyler Carlson, Regional Manager
Desert Southwest Region
Western Area Power Administration
P. O. Box 6457
Phoenix, AZ 85005-6457

Re: Proposed Operations Consolidation

Dear Mr. Carlson:

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Wellton-Mohawk has been gathering and evaluating information from as many sources as possible, to understand why there is currently more than one Control Area, and why there is now justification to combine these Control Areas. From a purely economic standpoint, we are baffled by this proposal. Additionally, the following questions and comments refer to key issues that the District believes dictate against Consolidation.

Since the original formation of Western, Consolidation of Control Areas has been considered and rejected on several occasions. Can those older studies and prior evaluations be reviewed to gain insight into earlier considerations? Have previous managers been contacted for information not found in the current documentation?

Page 16 of the 12 February presentation covered options that were considered and analyzed. Are there other options that were ruled out? Was DSW a candidate for the location of the proposed Consolidation? If so, what was the reason for its elimination? From a customer standpoint, DSW is much easier to visit than RMR. The Phoenix office is accessible 365 days per year. What is the accessibility of the Loveland office, for both WAPA employees and customers?

Looking at size and reliability, WALC and WACM are each about the size of SRP's and APS's transmission Control Areas. The Phoenix metropolitan area is the fifth largest load in the nation. That part of the United States that is proposed for the Consolidation covers an area larger than the Pennsylvania, New Jersey, Maryland ISO, or any of the ISO's/RTO's. Also, some of the separate areas in the proposed Consolidation are among the fastest growing locations in the country. DSW and RMR are "Balancing Authorities", which are

designed to balance loads and resources, both to provide reliability, and voltage and frequency quality of the power.

With the large area of coverage, increased number and complexity of interconnections with other utilities, and the varying importance of the lines and substations to the customers and to the Western Grid, has a possible overload of the dispatcher staff, and compromised reliability of the systems resulting from Consolidation been considered?

Are power quality studies available for review that show the effects of generation imbalance in RMR being compensated by generation in DSW?

The discussion of Sub Control Areas in the presentation was confusing. How many of the facilities in WACM are in the Tri-State Sub Control Area, and how many in WALC are in the AEPCo Sub Control Area?

Much of the generation, and many of the loads in WALC are dynamically scheduled into other Control Areas, and are under their control, with signals passed to WALC and WACM. How many of the loads/substations referenced in the presentation on 12 February are actually no longer in WALC and WACM at this time?

The inclusion of Hoover in the proposed Consolidation looks simple from outside DSW because the relationship between Hoover and DSW is well established, and is tried and true. The process depends on the interface between DSW and Reclamation at Hoover, which in turn is possible because of DSW's communications system. Any additional party or parties entering the process could (and probably would) cause this exquisitely functioning arrangement to fail. The system ain't broke, doesn't need fixin', is running smoothly, and the customer communications systems and the relationships that make it possible do not extend to RMR. How would communications be handled from RMR if Hoover were to be included in the Consolidation?

A basic assumption of a BA is that it is contiguous to (or at least very near) generation and loads, i.e., it has the ability to transfer power from one section to another, such that the loads and generation across the BA are truly in balance, without voltage problems. The actual generation inside WALC, including the IPP's, whether dynamically scheduled out or not, is able to handle WALC loads. Further, the transmission from generation to loads is able to assure the BA is, indeed, "in balance".

There is a significant lack of transmission facilities between WALC and WACM Control Areas. Are there power-flow and voltage-stability studies available for review that demonstrate, after Consolidation, that the resulting, much larger BA has sufficient transmission to remain viable in the event of either an N-1 or N-2 generation outage? If a cascading outage of Front Range Colorado, or even key TOT facilities were to take place, would WALC remain "whole"? Where are the under-voltage and under-frequency relays located in the north-to-south system of transmission lines?

DSW has stewardship of resources from, and responsibility for serving loads of numerous systems, including YDP, Colorado River Front and Levee System, Parker-Davis, Boulder

Canyon Project, Intertie, and CAP. This responsibility requires a significant accounting process, and makes DSW particularly well informed concerning the participating projects, and sensitive to its customers. The presentation on 12 February seemed over-simplified, and did not include evidence that the complexity of the DSW system could possibly be well understood by WACM.

What will be the effects to WALC customers, and to the stewardship of and responsibility for those resources, when an allocation of the costs from RMR is included in the calculation? Will YDP or CAP be picking up added costs? Are there examples of the magnitude of these costs, and how they will be distributed to the smaller projects and customers compared to today's costs and services?

DSW has several IPPs attached to its system, and has established means to serve them. Will the IPPs be asked to provide energy and voltage support to the greater Control Area? VARS don't travel well, so how will assured voltage be established for the larger BA?

NERC and FERC are requiring increased documentation and specificity in planning of workloads and completions. Is there a detailed analysis to determine if Consolidation will create an added workload, and if so, the additional FTE each item will require? Was a comparison made of pre- and post-Consolidation work in each Region, and how any apparent differences would affect the efficiency of Regional operations? Are any of the requirements for documentation already being done, and thus will not add workload?

As alluded to earlier, there seem to be no actual savings resulting from Consolidation. Page 20 of the presentation on 12 February suggests that if the existing structure is maintained, the yearly cost to add the needed regulatory staff would be \$1.9M. The yearly increase with the Consolidation would range from \$1.2M to \$1.8M, and would require a one-time cost of \$6.6M to \$6.9M. In the Parker-Davis Project alone, one 100 MW sale can amount to \$12.96M per year. DSW's local knowledge, and experience working within the existing systems will assure that this level of revenue can be achieved and maintained. These returns require that the transmission business staff be knowledgeable of the extremely dynamic local power market, and how to integrate its requirements with Western's ability. The return on just one of these transactions can far out-weigh any savings projected by the proposed Consolidation.

Western has long been a partner with its customers, and has a history of working with them to assure reliability and harmony in the Power Community. How will Consolidation play out in the bigger picture of the utility industry? Will Western lose sight of its customers and the customers' needs?

Sincerely,



Charles W. Slocum
General Manager