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IN THE UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
TEMPE, ARIZONA

WESTERN AREA POWER ADMINISTRATION
LISTENING SESSION

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Tempe, Arizona
July 24, 2012
6:03 p.m.

REPORTED BY: CHRISTINE JOHNSON, RPR
Certified Reporter #50383

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1 Be it remembered that heretofore on July 24, 2012,
 2 commencing at 6:03 p.m., at the Fiesta Resort, 2100 South
 3 Priest, Tempe, Arizona, the following proceedings were had,
 4 to wit:

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1 MS. CASEY: 6:03 p.m. All right. Well, I think
2 we're going to get started this evening so that we can wrap
3 this up and let you guys all get home.

4 Good evening, everyone. I see a lot of familiar
5 faces out there. For those of you who don't know me, I'm
6 Penny Casey. My normal position at the Desert Southwest
7 Region is the Merchant Manager, but this month I am
8 fortunate enough to be acting for Darrick Moe, who is our
9 Regional Manager. Darrick is back in Washington, D.C.
10 helping out in our liaison office and there was a lessons
11 learned on my part because as a federal employee, every year
12 we have to do what's called an individual development plan
13 and we have to determine, you know, what kind of training we
14 need, what we need to improve on. And what I put mine this
15 year was I wanted to work on public speaking. So it wasn't
16 exactly what I had in mind. I thought maybe an eight-hour
17 class or something, so lessons learned.

18 At the table with me here tonight is Jen Decesaro,
19 and she is the Special Advisor to the Senior Policy Advisor,
20 Lauren Azar, to Secretary Chu. And LaVern Kyriss is our
21 Colorado River Storage Project Manager, who most of you
22 know, as well.

23 And just a little bit of background on the Desert
24 Southwest Region. We're one of five regions at the Western
25 Area Power Administration. We market federal hydroelectric

1 power to at least 70 municipalities, co-ops, federal and
2 state agencies, irrigation districts, the Native American
3 tribes in California, Arizona and Nevada. And most of the
4 power that we sell by the Desert Southwest Region is
5 generated from power plants operated Hoover, Parker and
6 Davis Dams on the Lower Colorado River, as well as the
7 federal portion of the Navajo Generating Station that's
8 located up by Page.

9 LaVern's staff in the CRSP organization, they
10 market the power from hydro projects in the Reclamations,
11 upper Colorado region and from -- if I get this wrong, the
12 pronunciation, Falcon and Amistad Dams on the Rio Grand
13 River and Texas.

14 CRSP serves more than 130 firm electric service
15 customers in the six intermountain states of Wyoming,
16 Colorado, New Mexico, Utah, Nevada and Arizona and that
17 consists of 53 tribes, 78 cities and towns and 13 irrigation
18 districts, as well as state and federal agencies and
19 cooperatives.

20 The Desert Southwest Region also operates and
21 maintains more than 40 substations and 3100 miles of
22 transmission lines to keep the system running reliably and
23 these facilities are part of the Boulder Canyon and
24 Parker-Davis Projects, as well as the southern portion of
25 the CRSP transmission system.

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1 You know, I really want to thank everybody for
2 coming out today, for those of you who attended the workshop
3 and who are here tonight. I saw throughout the day that the
4 workshops were very well attended, and I saw a lot of
5 information exchange going on, which is good because it's
6 important to Western that we engage all of our stakeholders
7 in this effort in trying to determine the roles that Western
8 can play in defining the future of the bulk electric system
9 and moving us forward.

10 So with that, I'll turn it over to Jen.

11 MS. DECESARO: Good evening, everyone. I'm here
12 as a surrogate to -- for Lauren Azar, who is one of two
13 senior advisors to Secretary Chu. She did plan to be here
14 today, but had to cancel her flight early this morning
15 because of an emergency, but she sent along this written
16 statement this afternoon that I will be making on her
17 behalf.

18 Last week I attended listening sessions in Rapid
19 City, South Dakota and Billings, Montana and learned a lot.
20 Customers articulated many concerns, including the
21 following. My voice here, many of which we heard again
22 today. One, is that the at-cost electricity sold by Western
23 is critical to the economic health of their communities and
24 is necessary for them to feed America and to remain
25 economically competitive.

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1 Second is that beneficiaries should pay.
2 Preference customers do not want to pay for projects from
3 which they receive no benefits.

4 Three, DOE should work to allow the use of large
5 electric water heaters as storage devices.

6 Four, each of Western's regions is unique.

7 And, five, things are working fine between the
8 customers and Western. Western and customers are unclear
9 why this initiative is happening.

10 So why is this initiative happening? First and
11 most importantly, the electric sector is experiencing
12 dramatic change. Arguably more change than it has
13 experienced since the Pearl Street Station flipped a switch
14 in 1882.

15 Second, while PMAs must and will continue to
16 fulfill their primary mission of delivering power from
17 federal dams to preference customers over the last 75 years,
18 Congress, FERC and NERC have given PMAs new
19 responsibilities. These new challenges and threats in the
20 electric sector, as well as the continuing changes in PMA
21 responsibilities are what prompted this initiative.

22 Through his March 16th memo, the Secretary asked
23 the PMAs to respond to the electric sector's new challenges
24 and threats and to the PMA's changing responsibilities. The
25 PMAs are part of DOE, and they own and operate a significant

1 portion of this nation's electric infrastructure. Western
2 alone owns over 17,000 miles of transmission lines and over
3 320 substations.

4 Our actions are designed to ensure that the PMAs
5 effectively transition to a more resilient and flexible grid
6 while at the same time capturing efficiencies where possible
7 to reduce consumer's bills.

8 There are many ways to achieve these goals. We
9 heard loudly and clearly last week that Western and its
10 customers are already taking actions towards these goals.
11 For example, many already have exemplary energy efficiency
12 and demand response programs. Secretary Chu is not singling
13 out the PMAs, but believes all participants in the electric
14 sector must help to ensure we have a resilient and flexible
15 grid. And others in the electric sector agree.

16 Just yesterday, I attended a meeting with
17 Secretaries' Chu and Napolitano, the CEOs of NRECA, APPA,
18 NEI and EEI, along with the CEOs of many of the largest
19 utilities in the country to discuss the need for collective
20 action to ensure our nation continues to have a resilient
21 grid. The participants asked for a joint private public
22 partnership to achieve this goal.

23 I hope everyone in this room shares the goal of
24 wanting a healthy, secure, competitive and prosperous future
25 for our nation. This will necessarily include having safe,

1 reliable and affordable electricity, as well as a flexible
2 and resilient transmission grid. If we can agree on this
3 goal, then the question is: What is Western's role in
4 achieving that goal? One of the challenges Western faces in
5 achieving that goal arises from its aging infrastructure.
6 And just a couple of statistics.

7 With respect to Western's wood transmission poles,
8 over -- 61 percent are over 50 years old and exceeding their
9 useful life. 17 percent are between 40 and 50 years and
10 will soon exceed their useful life. 78 percent of Western's
11 wood poles will need replacing in the near term.

12 With respect to Western's transformers, 24 percent
13 are over 40 years old exceeding their useful life and one,
14 in fact, is 77 years old. Six percent are nearing the end
15 of their useful life and 30 percent of Western's
16 transformers will need replacing in the near term. While
17 Western has done a phenomenal job maintaining these
18 facilities, at some point, they simply must be replaced.

19 There are other challenges and opportunities for
20 Western and we hope you will join us in identifying them and
21 crafting recommendations for the Secretary to consider.
22 While I wish I could be able to personally hear the
23 testimony tonight, I will read the transcript. Not only
24 will I read your comments, but the Joint Outreach Team will
25 read the transcripts. The Joint Outreach Team

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1 affectionately known as JOT, which you've all heard today,
2 is comprised of experts from Western, DOE and external
3 consultants. This is the team that will be preparing
4 recommendations to the Secretary. The JOT will consider all
5 of the input from today's and the other four substantive
6 workshops, tonight's and the other five listening sessions
7 and all comments submitted to the website at jot@wapa.gov.

8 Thank you again for coming and providing your
9 input to this important initiative for our nation.

10 Now, I'm just going to talk about listening
11 session procedures for this evening. So that first is to
12 ensure that everyone has an opportunity to speak, each
13 speaker will have three minutes. I have a very high-tech
14 fancy kitchen timer that will be up there and so you can
15 hear when the three minute goes off and just ask that
16 everyone respect that three-minute time threshold because we
17 do have a large number of participants on speaking this
18 evening. And I would just like you all to remember that you
19 can submit additional comments through the JOT website or if
20 you have prepared remarks this evening that you don't have
21 time to finish, please submit them to the court reporter and
22 she will enter all of those onto the record.

23 We'll first call the names from those who
24 pre-registered on the website and stated that they wanted to
25 make a statement on the record. If you did not

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1 pre-register, you can sign up outside and we'll add your
2 names at the end, but I will also just ask at the end, after
3 we've gone through all of those that pre-registered, if
4 there's any additional individuals who would like to make a
5 statement.

6 So once we've gone through all the pre-registered
7 folks, we'll go to those who didn't pre-register. We do
8 have a court reporter here and all the comments will be
9 placed in the public record. The transcript from this
10 evening will be placed on the "Define The Future" website.

11 When I call your name, please come up and provide
12 your name to the court reporter. If it's unusual, if you
13 could please spell it, that would be very helpful; where you
14 are from, so your affiliation and just remember to please
15 speak clearly. If you are reading written comments, again,
16 please be kind to the court reporter and provide them to her
17 following your remarks.

18 And just finally, this is one of your
19 opportunities to provide us with input that will be used by
20 the joint committee of experts that are looking at these
21 critical issues.

22 So we will get started. So Robert Lynch.

23 MR. LYNCH: Since we're only allowed three minutes
24 of commentary on the proposal, and because his emphasis is
25 on Western, I thought I'd limit my remarks to what I believe

1 are some overarching principles to guide any future effort
2 in examining the relative benefits and costs of having
3 Western participate in an Energy Imbalance Market. They are
4 as follows:

5 First, do no harm. Study real situations, not
6 just theoretical ones. You haven't done that yet. Remember
7 that sustainability means affordability.

8 Second, commit to a "beneficiary pays" model in
9 future of real world modeling and studies. Don't ask us to
10 subsidize other's benefits.

11 Third, markets don't stop mistakes. When a power
12 line goes down, the market path is out of business, at least
13 until the problem is fixed. Operating larger interconnected
14 systems also means that mistakes hurt more people. The
15 Southwest power outage was an aberration, not an indication.

16 Fourth, do a comprehensive inventory of what is
17 already being done out here. Listen to the utilities.
18 Listen to the utility commissions. Seek consensus rather
19 than dictate.

20 Fifth, treat hydropower, all hydropower as a
21 renewable resource. Support pending small hydropower
22 legislation. Support generating agency budgets for
23 hydropower and development.

24 Sixth, if you're going to push "transparency,"
25 start with yourselves. Try leadership by example. It

1 works. Thank you.

2 MS. DECESARO: Dennis Delaney.

3 MR. DELANEY: Hello, I'm Dennis Delaney,
4 D-E-L-A-N-E-Y. I'm a local consultant and we assist a
5 number of the WAPA small, low-serving entities and generally
6 they're all very small and very dependent upon affordable
7 hydroelectric power.

8 I sat through the DOT session and those comments
9 have been recorded. I'm also the engineer that kept pushing
10 and pushing for the ED-5 Palo Verde Project, so I'm very
11 familiar with that and important parts of that were to deal
12 with some of the aging equipment.

13 That project looked at rebuilding parts of an
14 existing Western's system, trying to sustain the assets of
15 transformers that while they are old, they have not been
16 heavily stressed. They're still good pieces of equipment,
17 and it's a model that I think deserves a lot more attention.
18 And with that, I'll sit down.

19 MS. DECESARO: Thank you. Leslie James.

20 MS. JAMES: I'm Leslie James, J-A-M-E-S. I'm the
21 Executive Director of the Colorado River Energy Distributor
22 Association or CREDA. CREDA is an association of Colorado
23 River Storage Project customers surveying about 4.1 million
24 customers in the six states that Western identified as part
25 of the CRSP. Some of my members are here and are going to

1 make statements tonight, so I don't want to preempt what
2 they may be saying.

3 I wanted to point out in one of the breakout
4 sessions today in the DOT session, we -- we had a good
5 discussion about how the generating agencies have got to be
6 in this dialogue. Particularly when you're integrating
7 variable energy resources, it isn't just all transmission
8 issues. There are -- there are some serious
9 generation-related issues, particularly in those projects
10 like the Colorado River Storage Project that are already
11 significantly constrained for legal, hydrologic and
12 environmental purposes.

13 So I think it's very important for -- to reiterate
14 some of the points Bob said. Get everybody in the room,
15 including the generating agencies, and I'll underscore the
16 principles that Bob Lynch outlined. And I guess also the
17 customers in our region have a very long and strong
18 relationship in working with Western on very complex
19 operational, financial and other issues.

20 We've been very successful in several different
21 areas regarding work planning review, regarding issues to
22 address deliveries during long and extended drought periods.
23 Those types of processes and activities are success stories.
24 They should be allowed to continue, and I guess I just
25 applaud Western and the CRSP because the CRSP footprint, as

1 you're all aware, is quite large and I think the
2 environmental constraints that are imposed and continuing to
3 be imposed on these resources are quite significant, and
4 Western has done a very good job in working with the
5 customers of the CRSP to ensure that no harm is done. Thank
6 you.

7 MS. DECESARO: Thank you. Leon Pexton.

8 MR. PEXTON: My name is Leon Pexton. I'm the
9 Chief Operating Officer and General Manager of Utah
10 Municipal Power Agency. We're a joint action agency
11 providing full requirements of power to all of our member
12 cities who are all preference customers. All of our cities,
13 member cities are -- have been members of the Colorado River
14 Storage Project since the project was -- began. They were
15 all original signers of the -- of the contracts and
16 agreements.

17 Since then, they have been designed to -- built
18 their entire systems of power supplies around the Colorado
19 River Storage Project. Presently, approximately 30 percent
20 of our capacity and energy comes from the Colorado River
21 Storage Project. We built transmission systems. We built
22 generation. We have built an entire infrastructure based on
23 the CRSP allocations.

24 While we believe that this entire process is well
25 intended, it appears to, in my view, to be a misguided

1 effort. It's a topdown approach from inside the beltway.
2 It's a bad way to do business. I suggest that we stop this
3 process or predetermined agenda of predetermined items for
4 variable and integrating things into a system that may not
5 be an impact for all of us and stop and ask the load serving
6 entities who are all highly regulated. We're all GEOs,
7 KIOs, ESCs, LSCs. We've all been audited by WALC. We all
8 go through the NERC process. Don't tell us about a changing
9 industry.

10 Please sit down and ask us: What can Western and
11 the Western resources do to help us meet our obligations to
12 our end-user customers and to be part of a strong, resilient
13 electrical system?

14 We believe this agenda is too focused on too
15 narrow of areas with some predetermined outcomes. I believe
16 that Congressional authorization and mandates are ignored in
17 the -- in the view of what I perceive to be a political
18 process by certain entities. Regional entities have
19 different needs and different processes. Some are part of
20 RTOs. Some are not. Some deal with a variety of issues
21 that are unique to them and certainly all of us is not a
22 "one-size-fits-all."

23 I believe that whatever we do, we need to deal
24 with an agreed-upon agenda and process throughout the
25 customer system. We need a structured approach. We need a

1 proper approach, not a rust approach. At the end of the
2 day, I was always taught the explorers take all the risk.
3 The settlers get all the land. I would much rather be a
4 settler than an explorer.

5 Notwithstanding, this process shows that dialogue
6 is possible. Is that my egg timer?

7 MS. DECESARO: Yes.

8 MR. PEXTON: Ten seconds. Maybe buried in the
9 wreckage of this process there's a possibility for a
10 dialogue that can be properly structured. It turned out to
11 be a dialogue today. It could have been on a lot more
12 efficiently. Thank you.

13 MS. DECESARO: Thank you. Jeremy Lewis.

14 MR. LEWIS: Thank you for this opportunity to
15 provide comments to the Western Area Power Administration
16 and the Department of Energy. My name is Jeremy Lewis and I
17 represent Western Resource Advocates, an environmental law
18 and policy nonprofit organization.

19 As a transmission policy analyst for Western
20 Resource Advocates, I collaborate with stakeholders, utility
21 engineers, regulators, planners, developers and landowners
22 to lay out a roadmap for the southwest to transition to
23 renewable energy, energy efficiency and clean energy
24 technologies, all of which require -- all of which require
25 improvements to the power grid.

1 The power grid, which is fundamental to the
2 economic well-being of the West is in need of an upgrade.
3 This is not so much a criticism as it is an acknowledgment
4 that the grid, described by some as the largest machine ever
5 created must, like other machines, be maintained and kept
6 functional. Unlike other machines, there are many
7 conflicting political and economic forces that make
8 upgrading the grid more complex of a challenge. Addressing
9 these challenges was the intent of the guidance from the
10 Department of Energy.

11 Grid power is the thread that binds us together,
12 perhaps now more than ever, through agriculture, business,
13 industry, entertainment, community, health, education and
14 through our daily lives. Actively discussing, listening and
15 understanding the needs of westerners' electrified future
16 are positive steps that should avoid inaction and resultant
17 brown-outs and black-outs.

18 While some modernization to the grid operations
19 has occurred, much pressing work remains to be accomplished.
20 Improving our grid provides benefits to both rural and urban
21 America. The following list details some of the benefits.

22 A modern grid would: Function more efficiently by
23 significantly increasing coordination and cooperation
24 amongst balancing authorities. In the west, there are 37
25 balancing authorities. Provide -- a modern grid would

1 provide for improved integration of variable energy
2 resources like wind and solar, across a greater western
3 geography. A modern grid would emit less carbon than the
4 grid of today. The longer we wait to begin cutting
5 greenhouse gas emissions, the more costly these cuts are
6 likely to be. A modern grid would enhance load management
7 many through customer incentives and utility controls. This
8 can reduce the use of peak power plants and thus reduce
9 emissions and costs.

10 A modern grid would include an Energy Imbalance
11 Market to help maximize the use of all our resources. A
12 modern grid would reduce the reliance on fossil fuels
13 through the best use of the fuels we do burn and integrating
14 noncarbon resources like wind and solar. These domestically
15 produced energy sources have no fuel costs come reduce the
16 negative health and environmental impacts caused by burning
17 fossil fuels.

18 Federal government leadership can help speed the
19 way to a modern, secure and reliable electric transmission
20 grid. The U.S. military is a powerful example for improving
21 reliability, reducing costs and increasing energy security.
22 The military's strategic energy security goals include:
23 reduced energy consumption, increased energy efficiency
24 across platforms and facilities, increased use of new
25 renewable and alternative energy and reduced adverse impacts

1 on the environment.

2 Applying these goals to modernize the electric
3 system can promote the southwest and the entire U.S. to a
4 more globally competitive economy. Furthermore, with a
5 modernized grid, we will be better prepared to assess and
6 counter potential cyber-attacks of the future while
7 providing the lowest cost, reliable energy upon which
8 American families and businesses require to thrive.

9 Preparing, planning and growing our modern grid
10 now is essential to reap the economic and globally
11 competitive edge in this age of information, technology and
12 communication. Updating our electric system for another 50
13 years can be done with the knowledge and tools available
14 today. Consequently, Western Resource Advocates urges you
15 to consider the suggestions for grid modernization
16 articulated in the March 16th letter from Secretary Chu.

17 MS. DECESARO: Thank you. Chris Mayes.

18 MS. MAYES: Thank you. I think I've probably said
19 enough, but as many of you know, I'm the former Chairman of
20 the Arizona Corporation Commission and I agree it's been a
21 great day today. It's been terrific to share ideas with all
22 of you.

23 I just would say a few things. I support the PMA
24 initiative for several reasons. One, because I think it
25 will make for a more reliable grid, a safer more reliable

1 grid. Two, because in Arizona, we have renewable energy
2 requirements, a renewable energy standard that we have to
3 meet that will -- that the PMA initiative will make it
4 easier for our utilities to meet. Three, because as Jen
5 Decesaro said earlier today as quoted in Commissioner Azar's
6 comments, we have a system at WAPA while it's been extremely
7 well-managed over the years is becoming more and more aged,
8 and I have to admit to you all that if I were still on the
9 Corporation Commission, I would have called for a hearing
10 yesterday on the impacts of those -- of that aging system on
11 the utilities that we regulate or we regulated while I was
12 on the Commission.

13 Just how old are we going to let this system get
14 before we do something about it, guys? Just how old do we
15 let it get before we have problems on the rest of our
16 system? And I do not blame the good people at WAPA for
17 that. I think the people at WAPA are some of the best in
18 the utility industry. What I blame is a very out-moded
19 system for financing WAPA that needs to be changed out,
20 needs to be changed out now.

21 Finally, let me just say this. I think we can do
22 this. We can do these things that have been called for in
23 this memo in the State of Arizona. Why do I think that?
24 Because I know each one of you. I know most of you, and I
25 know you're doing it right now at your utilities. The

1 co-ops in this state are already adopting renewable energy
2 programs pursuant to our renewable energy standard. They've
3 been doing that for almost a decade.

4 The co-ops in this state are adopting energy
5 efficiency programs pursuant to our 22-percent energy
6 efficiency standard, the biggest in the country. So I know
7 you guys can do this, and I think that working together, we
8 can manage to adopt sensible solutions that are laid out in
9 this memo.

10 I actually disagree that we should tear up this
11 process and that these folks are not listening to us.
12 They're literally right here listening to us. And I think
13 that working together, if we listen to each other and
14 seriously incorporate our views into this process, and I
15 believe the DOE is genuine about that, we can accomplish
16 something that is really good for the State of Arizona for
17 future generations. Thank you.

18 MS. DECESARO: Thank you. James Charters.

19 MR. CHARTERS: James Charters, Western States
20 Energy Solutions. I don't have all the solutions, but I
21 have spent 23 years with Western and Western is a great
22 mission, a mission of taking a federal resource to be used
23 for the people of -- of this area and it was -- it's one of
24 those things where after doing cruise missiles and stuff, I
25 looked at something as worth spending your life on. I hope

1 everybody here also agrees.

2 Western has become quite bureaucratic. They've
3 got rules to stand on rules. What we found is that as we
4 look at the 1222 as we did earlier, we find that it will
5 conflict with OATT and that means we're going to get more
6 rules.

7 I think Western can perform its mission and get
8 things put together, but the finance process has been very
9 interesting throughout my entire career with Western. What
10 we had to do was we put it into OMB. OMB turned it down.
11 Our customers went back, got their Congressional legislation
12 to put it back in and we went on with the business.
13 Recently that hasn't worked. I encourage you to find
14 another way.

15 Western works with its customers to define what
16 that request would be in ten-year plans and all of this sort
17 of thing to put it in to make sure we don't over --
18 overwhelm their ability to pay.

19 I want to add one more thing that we used in the
20 Air Force. Every time the IOG came in he said he was here
21 to help. And we said, "Thank you very much. Come again."
22 Those are the two lies of the Air Force. Thank you very
23 much.

24 MS. DECESARO: Thank you. Carl Zichella.

25 A VOICE: He left.

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1 MS. DECESARO: Did he? Okay. James Salo.

2 MR. SALO: Good evening. My name is James D.
3 Salo, S-A-L-O. I'm the Deputy Executive Director of the
4 Colorado River Commission in Las Vegas. First of all, we
5 want to express our thanks for the opportunity to speak to
6 all of you and then to be heard.

7 I'd like to briefly describe the CRC and its
8 customers, give you a little frame of reference that is
9 outside of the local Phoenix market here. The CRC is a
10 state agency. By state statute, we are charged with the
11 statutory trust responsibility for looking out for Nevada's
12 interest in both water and power and transmission associated
13 with the Colorado River.

14 We are one of the original allottees, for example,
15 in the Hoover Dam Project and have continued to perform that
16 role for Nevada since the '30s.

17 We have federal hydropower and related
18 transmission contracts associated with Western associated
19 with -- through the three lower river projects, Parker-Davis
20 Dam, Hoover and Glenn Canyon.

21 Most of Nevada's residents benefit directly or
22 indirectly from the hydropower resources that Nevada
23 receives from the Colorado River System and the associated
24 transmission systems. The State has 2.7 million people.
25 2 million of the 2.7 million live in the greater Clark

1 County area, which is the southern tip of the state where
2 Las Vegas is located, including bleed over into the two
3 adjoining counties that are largely rural. So over
4 75 percent of Nevada's residents directly or indirectly
5 receive benefits from Hoover or the other hydroelectric dams
6 on the river and, of course, the associated transmission.

7 It's important to all of our customers, our
8 individual customers at the state level customers that we
9 have, the share of their load met by hydro resources varies
10 widely, but in one case, it's 97 percent of their load is
11 met by federal hydropower and obviously any change in their
12 price, cost structure, impacts them immediately almost a
13 direct one for one.

14 As a result, any new initiatives or programs that
15 are not fully supported by appropriations or other
16 noncustomer resources will result in a whole new layer of
17 costs to Western's customers and consumers and in our view,
18 would violate the traditional beneficiary pays principle.

19 Some initiatives that have been discussed and are
20 mentioned in the Secretary's memo, for example, DSM and
21 end-user energy efficiency and electric vehicles appear to
22 us to be more appropriately addressed at the retail level
23 rather than wholesale level.

24 Even if partial funding from nonPMA sources is
25 identified for new initiatives, the potential remains for

1 Western personnel and resources to be stretched very thinly
2 jeopardizing Western's traditional responsibilities and its
3 ability to continue as it always has in the past to meet
4 their obligations to the customers through contracts and
5 other obligations.

6 Any new initiative must be within Western's
7 statutory authority and Western must meet its contractual
8 obligations. I hear the bell, so I'll just in close at this
9 point, the CRC fully supports the beneficiary pays principle
10 and will continue to work closely with Western. We again
11 thank you for the time and appreciate your consideration of
12 our views.

13 MS. DECESARO: Thank you. Jay Moyes. Not here.
14 Elizabeth Story.

15 MS. STORY: I'm here, but I'd like to pass.

16 MS. DECESARO: Charles Cowan.

17 MR. COWAN: I won't be speaking.

18 MS. DECESARO: Elston Grubaugh.

19 A VOICE: He's not here.

20 MS. DECESARO: Okay. Gary Langford.

21 A VOICE: He's not here.

22 MS. DECESARO: Okay. John McNeill.

23 MR. McNEILL: Thank you. My names's John McNeill.
24 That's M-C-N-E-I double L. I'm a senior attorney at the
25 Central Arizona Water Conservation District, which is the

1 operator of the Central Arizona Project. I have a
2 significantly longer written statement that I have submitted
3 for the record, but I'll try to keep my comments brief. I
4 will just hit some high points.

5 Why are we interested? Well, each year the CAP
6 delivers about 1.6 million-acre feet of the Colorado --
7 excuse me, Arizona's Colorado River water to our customers
8 in Central and Southern Arizona. That water has to be
9 pumped uphill from the Colorado River the whole way making
10 CAP the single largest end user of electricity in the State
11 of Arizona.

12 Power is the single largest component of CAP's
13 operating costs, which are passed directly to our water
14 users and cost-based rates. Much of our power is delivered
15 over transmission operated by Western. Many CAP customers
16 tell us that even relatively small increases in our water
17 rates would cause them to reduce their use of CAP water and
18 return to groundwater pumping.

19 For example, even a 1 mil per kilowatt hour would
20 increase the energy portion of our water rates by over
21 1 percent. A 1 cent would increase our energy rate by about
22 12 percent.

23 One of the expressed purposes of the CAP was to
24 reduce groundwater overdraft in Central Arizona by providing
25 a renewable source of water. It would be a sad irony if

1 present-day actions were to defeat the intent that led the
2 U.S. Congress to invest more than \$4 billion to construct
3 the CAP.

4 With respect to the Energy Imbalance Market, in
5 the FERC's recent order 764, the Commission declined to
6 order the formation of Intra-hour Imbalancing Markets to
7 facilitate variable energy resources finding that, quote, "a
8 more measured approach is appropriate at this time."
9 Instead FERC directed public utility transmission providers
10 to allow 15-minute scheduling intervals in their OATTs.
11 Like FERC, CAWCD believes that this measure will provide
12 much of the flexibility sought by VER developers without the
13 added costs of an EIM, which FERC noted could be
14 significant.

15 DOE should accept FERC's findings and back away
16 from any short-term implementation of EIM. CAWCD is also
17 concerned that the proposed PMA initiatives go well beyond
18 Western's authorized mission and that their implementation
19 will force federal power and transmission customers to bear
20 increased costs to subsidize other users. Such a result is
21 inconsistent with cost-based rate making. Thank you very
22 much for the opportunity to comment.

23 MS. DECESARO: Thank you. Sheryl Sweeney.

24 A VOICE: She's not here.

25 MS. DECESARO: Maude Grantham-Richard.

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1 MS. GRANTHAM-RICHARD: I'm going to pass. The
2 comments I have are the ones that were entered into the
3 record last week.

4 MS. DECESARO: Great. Thanks, Maude. Michael
5 Curtis; not here. Okay. William Sullivan.

6 MR. SULLIVAN: Good evening. My name is William
7 Sullivan, S-U-L-L-I-V-A-N. I'm a Phoenix here -- I'm an
8 attorney here in the Phoenix area. I have been in practice
9 for about 30 years representing utilities and their
10 customers. I do appreciate the fact that DOE and WAPA are
11 having this workshop and going around the region to get
12 comments. I think it's very important.

13 And today during today's workshop, I listened to
14 both those currently using the WAPA system and those who
15 would like to, and what I learned were significant. While
16 sufficient -- a significantly underfunded by Congress, WAPA
17 and its customers have innovatively funded many programs and
18 improved the system over the years. The system is aged, but
19 it's not inadequate.

20 WAPA has effectively encouraged energy efficiency
21 programs, demand response programs and integration of
22 variable resources without involving itself directly in
23 programs at the distribution level.

24 WAPA already actively participates, often in a
25 leadership role, in regional and agencies and organizations

1 to effectively, economically and cooperatively plan and
2 operate the WAPA system in coordination with others to
3 provide reliable, low cost energy throughout the West.

4 I also learned that changes should be based on
5 operational and structural realities and pursued only after
6 appropriate study demonstrating tangible benefits that
7 exceed their added costs. At this point, recent changes
8 required by FERC and NERC have caused and are causing
9 changes that require further study before a fair assessment
10 of the cost and benefits of moving to an Energy Imbalance
11 Market can be made. There are many aspects of the section
12 1222 program that need to be better defined in order to make
13 it a viable financing option.

14 In summary, what I learned today is that any
15 implication in Secretary Chu's March 16th memo that
16 wholesale changes need to be made at WAPA is totally
17 unwarranted. The system is not broken. WAPA is already
18 prudently addressing the items raised by Secretary Chu's
19 memo. EIM needs further study.

20 Other steps are already being taken to capture the
21 same efficiencies in a manner consistent with the multiple
22 missions Congress has directed WAPA to perform. Changes are
23 being made incrementally where appropriate. Wholesale
24 change is neither needed nor shown to be cost justified at
25 this time. Thank you.

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1 MS. DECESARO: Thank you. Larry Udall. Kenneth
2 Saline.

3 MR. SALINE: I'll pass.

4 MS. DECESARO: Thank you. Tom Gebhard.

5 MR. GEBHARD: Pass.

6 MS. DECESARO: John Lambeck.

7 MR. LAMBECK: Good evening. My name is Jon
8 Lambeck. I'm the Manager for power resources at the
9 Metropolitan Water Distributor. Metropolitan Water
10 Distributor of Southern California is a wholesale water
11 distributor, which was formed in 1928 for the sole purpose
12 to build an aqueduct from the Colorado River to Southern
13 California and distribute the water to its member agencies.

14 Today, the Colorado River Aqueduct provides water
15 for the businesses, industries and residents 19 million
16 strong of Southern California.

17 From its beginning, Metropolitan has relied on the
18 reliable, low cost hydro energy from the federal systems at
19 Hoover and Parker Dams to power of the pumps on its
20 aqueduct. Metropolitan was one of the original contractors
21 for Hoover power providing the guarantee of federal funding
22 repayment that allowed the start of construction.

23 The Hoover power contract as of today continue to
24 cover all costs and assure repayment of any federal
25 expenditure at that project. Low cost power delivered by

1 Western helps keep Southern California's water bills
2 affordable and supports one of the largest economies in the
3 world. For over 75 years, Metropolitan has worked first
4 with the Bureau of Reclamation and then with Western to
5 create a successful partnership with the federal agencies
6 that deliver this reliable, low cost hydropower. This power
7 is critical to Metropolitan, its member agencies and the
8 economy of Southern California.

9 Because the federal hydropower is so critical to
10 its operation, it is with concern that Metropolitan has
11 considered the potential changes that could be brought about
12 by the program we have been discussing today. We have
13 concerns that moving Western away from its historic mission
14 of marketing and distributing federal hydropower will result
15 in increased cost to those not benefiting from these new
16 activities and may lead to impacts on operations and
17 services.

18 Also disturbing is the lack of focus on low rates.
19 In its 2011 annual report, Western states that it's designed
20 to keep the rates as low as possible consistent with sound
21 business practices. However, it now seems the attention is
22 only on cost-based rates. If costs are increased due to new
23 activities and are simply incorporated in cost-based rates
24 that all customers pay, the historic benefit of such a
25 cost-based rate structure is lost and such a situation would

1 be a departure from the historic principle of beneficiary
2 pays.

3 In closing, Metropolitan supports the measured and
4 incremental approach to responding to Secretary Chu's memo,
5 and we appreciate the ability to provide these comments
6 today. Thank you.

7 MS. DECESARO: Thank you. Patrick Ledger.

8 A VOICE: He's not here.

9 MS. DECESARO: David Fitzgerald.

10 MR. FITZGERALD: I'm David Fitzgerald with the law
11 firm of Schiff Hardin. I'm appearing tonight on behalf of
12 Arizona Electric Power Cooperative, as well as
13 Southwestern's Mission Cooperative. We appreciate the
14 dialogue that's gone on today and thank Western for coming
15 down and engaging in the customers.

16 We think there is a fundamental disconnect that
17 appears with the Secretary's March 16th letter. I mean,
18 it's clearly a case where ambition has exceeded abilities,
19 and in this regard when I'm talking about abilities, I'm not
20 talking about the skill set as opposed to Western. What we
21 are talking about are the legal abilities of Western to
22 implement many of the goals that are outlined in the
23 Secretary's initiative.

24 It's important for Western and DOE to recognize
25 that they cannot proceed on a bold new path with many of its

1 initiatives. They are bound and constricted by the
2 voluntary requirements that they follow at the Federal
3 Energy Regulatory Commission, because as we have seen, to
4 the extent when you have a PMA go beyond what may be
5 perceived as appropriate by the renewable energy industry,
6 they will file a 211(a) complaint at FERC.

7 And so if you look at what Western wants to do,
8 they need to be mindful of their voluntary compliance and
9 they need to be mindful that they cannot go in the broad new
10 directions.

11 Fundamentally, this is also about cost. And what
12 we have seen is that there is a tremendous concern that you
13 add additional costs onto Western's transmission, as well as
14 preference customers. For Arizona Power Cooperative,
15 10 percent of their budget is for transmission costs for
16 Western. They're already facing a rate increase.

17 So to the extent you want to provide new services
18 for entities that want access to the grid and it doesn't
19 benefit the existing transmission customer, you're having to
20 cost shift that's going to have profound impacts on the
21 ultimate customer. Thank you.

22 MS. DECESARO: Thank you. Tom Graves.

23 MR. GRAVES: Jennifer, I'm here, but I will pass.

24 MS. DECESARO: Thanks, Tom. Kevin Rogers.

25 MR. ROGERS: Thank you very much. Thank you for

1 being here in Phoenix and the opportunity to comment on the
2 Department of Energy memo directing outlining the new
3 direction for the Power Marketing Agencies.

4 For the record, my name is Kevin Rogers. My
5 family and I farm in the Valley here and I am before you
6 today representing the Arizona Farm Bureau Federation. The
7 Arizona Farm Bureau is a membership organization
8 representing more than 3500 agricultural producers statewide
9 and an additional 18,000 associate members who are all
10 consumers of electricity in the state.

11 Virtually all agricultural production in Arizona
12 relies on irrigation systems to get water to the areas of
13 production at the appropriate time. Whether the water is
14 pumped on-site or moved hundreds of miles from the Colorado
15 River through the CAP Canal, it takes a lot of power to
16 transport this water. I think it's safe to say that
17 agriculture has a real understanding of the direct
18 relationship between the cost of energy and the cost of
19 water and how that relationship impacts the cost of my
20 production on the farm.

21 On behalf of Arizona's agricultural industry, we
22 urge you to proceed with caution and fully examine and
23 understand the implications of these proposals. At this
24 time, we're not convinced that the proposal outlined in the
25 memo from Secretary Chu dated March 16th is the appropriate

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1 policy to you achieve these goals. In particular, we're
2 concerned with the proposal for Western Area Power
3 Administration to participate in the creation of an
4 automatic -- automated Energy Imbalance Market in an attempt
5 to integrate additional energy from variable sources such as
6 wind and solar.

7 The administration claims that these proposals
8 will increase efficiencies and reduce rates to consumers or
9 provide additional protection for the environment. New
10 bureaucracies seldom deliver on efficiencies, and it's time
11 to balance the environmental benefit with economic sense.

12 Overall we believe it's poor public policy to
13 attempt to transition away from the economical and reliable
14 forms of energy that we currently utilize without fully
15 understanding the costs and benefits to the consumer and the
16 environment. The current trend of this administration is to
17 transition away from coal and other traditional methods of
18 energy generation at all costs. The latter part of this
19 statement is the most bothersome as we will have the
20 responsibility to bear our share of these costs with what we
21 see as a negligible positive benefit.

22 At this point in time, between the potential of
23 rising costs to retrofit the Navajo Generating Power
24 Station, the \$120 million loss of power generation from
25 Glenn Canyon Dam for improving species habitat and now an

1 executive memo directing PMAs to fundamentally change the
2 way they provide power and to charge for rural consumers, we
3 cannot help but see new costs.

4 Artificially driving up the costs of traditionally
5 generated energy with dubious regulations to protect air
6 quality and fish habitat taints the discussion about this
7 proposal being -- about being efficiency and reduction of
8 costs to consumers. It equates to the grocery store
9 increasing the price of the store brand beans to prove that
10 the premium brand is cost competitive.

11 Agriculture depends upon world markets to set the
12 prices for the commodities we grow. That being said, I do
13 not have the luxury of passing price increases down to my
14 consumers. With the razor thin margins of agricultural
15 production, even a 2 or 3 cent increase in electric rates
16 would have a significant impact on my operation. In some
17 cases, a 2 or 3 cent increase would double agricultural
18 power rates.

19 Thank you once again for the opportunity to visit
20 with you and express the concerns of the agricultural
21 industry. Thank you.

22 MS. DECESARO: Thank you. Susan Bitter Smith.

23 MS. BITTER SMITH: Thank you. I'm Susan Bitter
24 Smith. I'm the former president of the Central Arizona
25 Project Board of Directors, but I'm here as a private

1 citizen this evening. I will not duplicate what Mr. McNeill
2 very artfully said, but I do want to suggest to you as a
3 citizen and one that has great care and concern for CAP my
4 concern about the department's proposals.

5 As others have said, I believe it increased cost
6 to consumers. It is overreaching by the agency. It is
7 certainly cost shifting to those that are not consumers. It
8 doesn't definitely benefit those that are -- other than are
9 the pairs and, in fact, it is something that really reduces
10 local control.

11 So with that in mind, I would encourage you to
12 suggest to the Secretary and to the department to take a
13 longer look, look at the implications for consumers, look at
14 the implications for costs. I appreciate the opportunity to
15 add my opinion tonight. Thank you very much.

16 MS. DECESARO: Thank you. David Getts.

17 A VOICE: He left.

18 MS. DECESARO: Did he? Michael Gazda.

19 MR. GAZDA: I'm Mike Gazda from the Arizona Power
20 Authority. That's Mazda with a G.

21 MS. DECESARO: Sorry.

22 MR. GAZDA: I had to say that. The Arizona Power
23 Authority is responsible for bringing the Hoover power into
24 the State of Arizona. We have contracts with Reclamation
25 and with Western and we rely heavily on the transmission

1 accessed to Parker-Davis and the Intertie Projects of
2 Western to bring that power into our customers here in
3 various parts of the state.

4 Western Area Power Administration recently
5 approved the Palo Verde to ED-5 Transmission Infrastructure
6 Program project. Partnering with its customer base, Western
7 has provided for the needs of its customers through TIP
8 funding. In this example, Western's customers have provided
9 the funding repayment necessary to expand transmission
10 access in the South of Phoenix areas while enhancing the
11 current and future capabilities of Western to access the
12 power grid. This partnership should be a model for future
13 financing efforts at Western.

14 The largest impediment to the project was the
15 assurance that only the beneficiaries of the project pay for
16 the enhancements to Western's system. This problem was
17 overcome with some innovative thinking on the part of
18 Western and resulted in a separate facilities charge to
19 those who participate in the project. Those participants
20 benefit from the enhanced capabilities of the project which
21 allows enhanced access to the Palo Verde HUB and thereby
22 access to more generation resources and competitive pricing.
23 Those participants are also the sole providers of the
24 payments necessary for the repayment of TIP funds. Arizona
25 Power Authority would suggest that this be the funding

1 mechanism model for those who wish to add infrastructure
2 cost to Western's transmission operations.

3 Western presently offers intra-hour scheduling on
4 a half hour basis to anyone who would like to schedule in
5 that manner. This enhancement has been available for over a
6 year now. To date, no one has utilized this option. This
7 illustrates that existing customers of Western do not
8 presently have a need for intra-hour scheduling. Those who
9 have an interest in an enhancement beyond this intra-hour
10 scheduling that's already available such as the Energy
11 Imbalance Market, should sign a participation agreement to
12 fund those efforts through a separate facilities charge so
13 they would not impact the transmission rates for existing
14 users.

15 The rates for both Parker-Davis and Intertie
16 Transmission Projects have recently increased significantly.
17 Parker-Davis has shown a 17-percent increase and Intertie a
18 30 -- almost a 30-percent increase in costs.

19 Additional increases could drive the rates so high
20 that users would look for other transmission resources,
21 which will further increase the rates of the remaining
22 users. The Authority wishes to avoid the impacts of
23 additional rate increases that an EIM might necessitate for
24 obvious reasons.

25 This is -- could be a death spiral. If Western

1 becomes noncompetitive and people begin to get off of their
2 system, which it's happened in the past, then -- or attempts
3 have been made to do that, then the price will go up for
4 everybody that has to remain on the system, including the
5 Authority.

6 Following the philosophy that beneficiaries should
7 pay for these enhancements will isolate the rate increases
8 to only those customers that truly benefit or desire to
9 participate for any reason. Regardless of the funding
10 source or mechanism, participation in an EIM and its
11 associated costs should be voluntary, not mandatory. Thank
12 you.

13 MS. DECESARO: Thank you. Amanda Ormond.

14 MS. ORMOND: Evening, everybody. Amanda Ormond,
15 Western Grid Group. That's O-R-M-O-N-D. Western Grid Group
16 is -- are advocates for clean energy access on the grid. We
17 believe that something that needs to be stated is that the
18 customers of today are living off the legacy investments of
19 those that came before, and we think that it's important
20 that we continue to invest in the system going forward to
21 make sure that we have a system that's going to be reliable,
22 that's going to be efficient and it's going to be able to
23 meet the needs of the future.

24 We appreciate that the Department of Energy and
25 Western have undertaken this endeavor. We think that

1 looking forward to the future to figure out what type of
2 services and what type of system we need is going to be very
3 important. I know that a lot of people look at right now
4 and think, "Well, you're going to add costs to our system,"
5 but I think we need to be making sure that we're designing a
6 system that we have to have for the future.

7 So unless trends change, we think that there's
8 going to be more variable generation on the system in the
9 future, so we need to design our system to accommodate that.
10 So I've got three points that I want to make: First is
11 Energy Imbalance. There's lot of different systems that are
12 being considered by Western right now and a lot of the other
13 partners, and a lot of them have a lot of value. It's my
14 opinion that Energy Imbalance is going to have the best
15 value because it's going to be able to make the most
16 effective use of the transmission system and be able to help
17 integrate renewable energy the cheapest.

18 When we look at Energy Imbalance, it is going to
19 be, when we're all said and done, the most studied type of
20 tool out there because we're doing cost studies and we're
21 doing user analysis. We think that this voluntary -- which
22 it'll be voluntary, I believe -- voluntary centralized
23 dispatch generator is absolutely critical for operation of
24 the grid.

25 I also want to talk a little about -- about the

1 IRP. So Western has a requirement that its preference
2 customers submit Innovative Resource Plans. We think that
3 Western could utilize those plans a little bit more in doing
4 forward-looking planning. So if you want to know what
5 services and what the system should look like in the future,
6 you should be looking to the IRPs to see what your customer
7 is saying that they're going to be purchasing in the future.
8 My understanding of how the IRPs are used today is that
9 they're submitted and it's kind of just checked off, but you
10 don't really use it as a tool to look at what services are
11 needed.

12 So the last thing is with economic development.
13 So a lot of the preference customers are located in areas
14 where the areas are rural. Right now in the 15 western
15 states, there's 30,000 megawatts of wind energy installed in
16 those 15 states. That is a total of, I think, \$60 billion
17 worth of investment. I believe that going forward, Western
18 has a responsibility to be looking at how can they provide
19 services and a system that can integrate renewable energy at
20 the least cost and most efficient way.

21 There was a lot of discussion today about not
22 making additional costs to the preference customers. We
23 agree with that, but we also think that because of the
24 transmission services that Western offers, they need to be
25 looking at the future and how that system is going to be

1 used. Thank you.

2 MS. DECESARO: Thank you. Dan Thelander.

3 MR. THELANDER: Thank you. Dan Thelander and
4 that's, T-H-E-L-A-N-D-E-R. I'm Chairman of the Arizona
5 Cotton Growers Association, which represents some 900 cotton
6 growers from throughout the state. The bulk of Arizona's
7 cotton is grown in Pinal County where I farm. There Pinal
8 County, growers rely on a mixture of Central Arizona Project
9 water and groundwater. The Farmers in Pinal County rely
10 greatly on affordable hydropower to pump water to irrigate
11 their fields.

12 In addition to cotton, we grow alfalfa and corn
13 and barley for dairies to produce milk. We grow wheat for a
14 pasta plant in Tolleson to produce spaghetti products and we
15 grow produce crops: Broccoli, melons, citrus, carrots, all
16 kinds of things. In short, we grow food and fiber for this
17 country.

18 Pinal County Irrigation Districts charge about \$50
19 an acre foot for the water that they sell to the Farmers.
20 So we use about 4-acre feet per acre. So our water cost is
21 about \$200 per acre to grow our crops. It is the largest
22 single cost that we incur on our farms.

23 I am not an expert on energy like a lot of these
24 folks here are, but I have been told that the Department of
25 Energy's plans to change and enlarge the PMAs and create

1 Energy Imbalance Markets will increase the cost of power at
2 least 2 cents per kilowatt our. If this were to occur, this
3 would translate into an increase in water cost of about \$20
4 per acre foot.

5 An average 1,000-acre farm in Central Arizona
6 would use about 2500-acre feet of groundwater, which would
7 equal \$50,000 per year. My family's farm, which is owned by
8 myself, my brother, my nephew and my son, we farm about
9 4,000 acres. So on my farm, that would increase -- increase
10 our costs \$200,000 per year at least. We can't pass along
11 that cost to customers because we do grow crops that are
12 much -- the price is set on the world market.

13 Pinal County farmers cannot afford such a huge
14 increase. This will put farmers out of business. It will
15 drive unemployment higher and it will drive up the cost of
16 food and fiber to the consumer. I ask the DOE and WAPA to
17 not make the changes outlined in Secretary Chu's memo.
18 Thank you.

19 MS. DECESARO: Thank you. That's everyone who
20 pre-registered to make a statement on the record. Is there
21 anyone else?

22 MR. HAENICHEN: I'm Jack Haenichen and I work for
23 the Arizona Governor's Energy Policy Office. One of my
24 duties is as a member of the Arizona Power Plant and
25 Transmission Line Siting Committee, which is an entity that

1 hears presentations by applicants and then makes a ruling on
2 a Certificate of Environmental Compatibility, which then is
3 passed on to the Corporation Commission, which acts upon it
4 either one way or the other.

5 Today I'd like to briefly address something that's
6 different from anything you've heard here today and it came
7 from a recent line sited case. With regard to the aging
8 infrastructure, one of the major elements of this
9 infrastructure are very, very large transformers. This
10 particular case we heard about six months ago from a large
11 utility in the state was for a transmission line that they
12 said was required for reliability of the grid in that
13 particular part of the state, the central part of the state,
14 and one of the justifications was they had a failure of a
15 very large transformer that they're having a very difficult
16 time replacing. This is a \$5 million piece of equipment.

17 The interesting part about this story is that that
18 transformer that failed was replaced just two years ago and
19 when we quizzed the applicant about why this was the case,
20 they told us -- and this is only a sample of one, but they
21 indicated it was nationwide -- they told us that they had to
22 buy the transformer in Brazil because all of the major
23 manufacturers of that type of equipment in this country have
24 exited the market for one reason or another.

25 So I have no solution to this, but they claim the

1 equipment they are able to obtain is very difficult to get,
2 takes a long lead time and it's not good equipment. So I
3 think it's something that the federal government should at
4 least ponder and see if they can come up with some way to
5 get some of these American-made factories like General
6 Electric back into the business. Thank you.

7 MS. DECESARO: Thank you.

8 MR. SHEPARD: Good evening. I'm John Shepard,
9 S-H-E-P-A-R-D. I'm a Senior Advisor at the Sonoran
10 Institute. We're a conservation organization working on
11 planning and siting for large-scale renewable energy
12 generation projects and associated interstate transmission.

13 Over the next 20 years, the Western grid is
14 forecast to receive more than 100 million in upgrades,
15 dollars, in upgrades and enhancements to meet projected
16 growing demand, consumer demand for clean, reliable and
17 affordable energy.

18 These investments are critical to our region's
19 economic competitiveness and job growth, our nation's
20 security and to our environment, health and well-being. The
21 integrity of our grid requires that there be no weak link in
22 the system, no Achilles heel. Consequently, investments
23 must be made uniformly across the entire system.

24 What Secretary Chu has proposed are measures
25 already being considered and implemented elsewhere in the

1 grid. Many of these measures may generate net economic
2 returns to utilities and their customers. Prudent
3 management should prompt WAPA to explore and pursue some of
4 these measures. Deferred or delayed investment will only
5 serve to increase the costs to their customers and the cost
6 of maintaining the overall integrity of the grid system in
7 the long term. That would not be consistent with the
8 broader public interest group that WAPA serves.

9 Today's workshop underscored that there are
10 differences among WAPA stakeholders on the need for the
11 measures proposed by Secretary Chu, but it also identifies
12 some areas of agreement and I'd like to highlight two of
13 these: First, WAPA's participation in an Energy Imbalance
14 Market may be appropriate, but the benefits and costs for
15 WAPA's preference customers needs to be better articulated.
16 Second, section 1222's finance program needs improvement
17 both in terms of clarity of the process, informational
18 requirements and the allocation of costs.

19 I would strongly encourage WAPA to pursue these
20 areas of common concerns outcomes to their Defining The
21 Future Initiative through a collaborative process involving
22 their preference customers and other stakeholders. To use
23 diplomatic parlance such, quote, "confidence building," end
24 quote, measures could help lay the foundation for future
25 discussions and suggested policy reforms on the more complex

1 issues raised by the Defining The Future Initiative. Thank
2 you.

3 MS. DECESARO: Thank you.

4 MR. LEWIS: Good evening. For the record, my name
5 is Mark Lewis. I am the Elected Director of the Central
6 Arizona Project. And on behalf of the 4 million people that
7 I represent here in Maricopa County, welcome to our county
8 and to Phoenix. We appreciate it.

9 We very much appreciate the history that WAPA has
10 shared with development -- energy development and water
11 development in the West, and we are concerned about some of
12 the system reliability issues that we raise.

13 System reliability for water and power is critical
14 for us and finding a way to maintain that and push that off
15 into the future is very important to us.

16 WAPA has done a good job in managing and wheeling
17 renewables, especially the hydropower that we relied on so
18 frequently over at Hoover. I am a little concerned about
19 the creation of the additional layer within the Energy
20 Imbalance Market and what that's going to cost to our
21 customers. Ultimately, I'm responsible to raise the rates
22 for the things that you want to do. The buck stops with me.
23 And so if you're looking to do anything more than basic
24 repair and reliability issues, I need to sell that to the
25 voters.

1 And so if you're coming along and saying, "We're
2 going to build this Energy Imbalance Market" and we're going
3 to do all this and we're going to build infrastructure for
4 other people's generation, then I'm going to be looking at a
5 1 cent cost and a 12-percent water rate increase to my
6 customers.

7 Now, if you've never raised water rates with
8 voters, when you come along to the voter and say, "I'm
9 raising your rates by 12 percent," I get a few phone calls.
10 And if I get a few phone calls, you're going to get a few
11 phone calls. And keep in mind that we supply water and
12 power to 4 million people here in Maricopa County, another
13 1 million in Tucson and another 3- or 400,000 in Pinal
14 County, and this is not the only initiative coming at the
15 voters.

16 We have a seven to 30 percent rate increase coming
17 at us with the upgrades, we're looking at Navajo Generating
18 Station and all of this is coming at us at the same time and
19 so I would suggest that we -- when we have that many
20 resources or that many projects and not enough resources, it
21 requires elected officials to prioritize and that's what we
22 have to do.

23 And so I would suggest to you that as you move
24 this forward, you create three layers. One, is the system
25 improvements that you absolutely have to do for system

1 reliability: The poles, the pipes, the wires, the storm
2 damage, transformers, that kind of stuff.

3 The second layer is if we are going to get off
4 coal at some point in time in our future, and we're going to
5 deal with the air quality issues, we need to categorize
6 nonpolluting, noncarbon generation in two categories: One
7 would be baseload renewables and the other one would be a
8 variable rate of load renewables.

9 So the point is that if I'm looking at resources
10 as an elected official making decisions for the people in
11 this room, I need to be able to prioritize things in the
12 resource categories that are going to have the most impact.

13 So keeping the lights on and keeping the farms wet
14 and keeping water in your shower, that's a high priority to
15 me. So that would be number one. Number two is looking to
16 the future for baseload renewables, such as hydropower and
17 geothermal and other kinds of continuous baseload renewables
18 is the higher priority because they work. They also don't
19 require a lot of system upgrades like wind and solar does
20 because I don't know if it's a shock to you, but the solar
21 doesn't work at night. It really doesn't. And when they
22 come to us, we ask them this question and they say, "Well,
23 we want you to buy solar." "Well, it doesn't work at
24 night." "Well, how much is it going to take to replace my
25 coal plant?" And the answer is it takes three times as much

1 solar, three times as much investment as it does to replace
2 the coal plant.

3 So the costs are magnified by a factor of three
4 and on the water side, you guys look at a penny is nothing,
5 but I'm looking at 12-percent water rate increase to these
6 people and there's 4 million of them, and it's something.
7 Thank you very much for your time.

8 MS. DECESARO: Thank you. Any other comments?
9 No. All right. Well, I want to thank everyone for spending
10 the day with us today and for being here to participate this
11 evening for everyone who provided comments on the record.

12 And I would just like to encourage anyone who
13 doesn't provide oral comments this evening to submit
14 comments through the JOT at the wapa.gov e-mail address.
15 Thank you again.

16 (Whereupon, the deposition proceedings terminated
17 at 7:19 p.m.)

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I, CHRISTINE JOHNSON, having been first duly sworn and appointed as Official Court Reporter herein, do hereby certify that the foregoing pages numbered from 2 to 52, inclusive, constitute a full, true and accurate transcript of all the proceedings had in the above matter, all done to the best of my skill and ability.

DATED this 1st day of August, 2012.

Christine Johnson, RPR
Certified Court Reporter No. 50383

CHRISTINE JOHNSON, RPR
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