

1 **NORTHWEST PUBLIC POWER ASSOCIATION**

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3 **6-05 Archive Resolution**

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5 **SUPPORT FOR THE ESTABLISHMENT OF A**
6 **CONTROL AREA FOR THE SIERRA NEVADA REGION**
7 **OF THE WESTERN AREA POWER ADMINISTRATION**
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9 The seasonal exchange of power between the Power Marketing
10 Administrations in the Northwest and California has been a beneficial
11 arrangement that has helped bring affordable and reliable power to ratepayers in
12 both regions for years. However, the Western Area Power Administration (WAPA)
13 faces changes in the way it does business and operates its facilities with the
14 December 31, 2004, expiration of significant Pacific Gas and Electric Company
15 contracts.

16 To address this issue, WAPA has completed a public process to evaluate
17 alternatives, including the creation and operation of a separate Federal Control
18 Area (FCA) for its functions following the expiration of these contracts. The
19 formation of a FCA will be much closer to the status quo than turning over control
20 of Federal facilities to the California Independent System Operator (CAISO).

21 The creation of a FCA, although similar in concept to a RTO, should not be
22 construed as support for a RTO, but rather, an attempt to duplicate the existing
23 market conditions.

24 On February 23, 2004, WAPA published its final decision to proceed with
25 implementation of a contract-based sub-control area either with the CAISO or
26 with Sacramento Municipal Utility District (SMUD). WAPA concurred with the
27 need for an accelerated approach to finalize arrangements with the CAISO or
28 SMUD, and also concurred that a contingency plan is desirable if the sub-control
29 area arrangements are not successful.

30 WAPA has forty (40) years of grid management experience and it operates
31 control areas in every region in which it has facilities except in Northern
32 California. These control areas currently interface and coordinate with other
33 control areas, including the CAISO.

34 On a small scale, the CAISO has significant experience working with other
35 control areas within WAPA's service territory (operated by SMUD, Los Angeles
36 Department of Water and Power, and Imperial Irrigation District). However, the
37 complex rules of the CAISO are more likely to create seams issues within the
38 Western grid than is the creation of the FCA.

39 Additionally, WAPA operates within the constraints of the Federal laws and
40 obligations that govern the operation of the Central Valley Project, the power it
41 delivers is largely subsidiary to the flood control and water supply operations of
42 the Bureau of Reclamation. It will be extremely difficult for WAPA to meet its
43 statutory obligations while also complying with the convoluted and complex
44 requirements imposed by the CAISO.

