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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-6

November 18, 1997

To: Board of Directors (Electric Industry Restructuring Ad Hoc Committee -- Action)
(Budget and Finance Committee -- Action)
(Executive Committee -- Action)

From: *pa* General Manager Edward J. Measitt

Submitted by: Debra C. Man, Chief Debra C. Man
Planning and Resources

Subject: Authorization to Expend up to \$50,000 During the 1997-98 Fiscal Year for Supplemental Membership Dues and Special Assessments of Power-related Organizations

RECOMMENDATION(S)

It is hereby recommended that your Board authorize use of \$50,000 from the Annual Budget Appropriation for payment of Metropolitan's supplemental membership dues and special assessments for power-related organizations as outlined in this letter and as deemed appropriate by the General Manager.

EXECUTIVE SUMMARY

The electric utility industry is undergoing significant change as a result of deregulation and restructuring. Metropolitan's membership in power trade and procurement organizations enhances its ability to protect its power interests, and benefit from new power purchasing opportunities made possible through restructuring. Metropolitan is a member of the American Public Power Association, Western Systems Coordinating Council, and the California Municipal Utility Association. Use of \$50,000 from the Annual Budget Appropriation is hereby requested for payment of Metropolitan's supplemental membership dues and special assessments by such organizations and similar power-related organizations.

DETAILED REPORT

As this Board has been informed in prior Board letters, the electric industry is undergoing significant structural changes which will affect Metropolitan's system and the California Department of Water Resource's State Water Project. New opportunities for doing business in and with the electric utility industry will arise as a result of the deregulation and restructuring efforts underway in California and across the country.

Metropolitan has been a charter member of Western Systems Coordinating Council (WSCC) since its inception in 1967. The WSCC was organized in 1967 to promote reliability and adequacy of bulk power supply through coordinated operation and planning and is

now comprised of organizations from the western United States, Canada, and Mexico. It is one of nine regional reliability councils covering all of the contiguous United States and part of Canada and Mexico. Metropolitan operates a high-voltage, bulk power transmission system that forms a part of the WSCC interconnected power grid. By having a representative of the council and a member on each of its standing committees--Planning Coordination, Operations, Public Affairs, and Environmental--Metropolitan is apprised of current trends and developments in the fields of electric generation, transmission, and legislation as they apply to Metropolitan's power system. With the increased focus on reliability of the electric grid since the outages during 1996, WSCC has taken a proactive role in increasing its reliability criteria and monitoring.

In addition, Metropolitan has been a general utility member of the American Public Power Association (APPA) since 1994. APPA is a national power trade association that represents more than 1,750 community-owned, not-for-profit electric utilities. Metropolitan benefited from APPA's national efforts to defeat legislation which would have sold federal power marketing administration assets, including the Hoover and Parker Power Plants to the highest bidder. Additionally, APPA has filed comments and motions at the Federal Energy Regulatory Commission (FERC) on proposed rules and pending proceedings reflecting the general consensus of public power entities on such matters and other issues facing the industry. Finally, APPA provides an active Washington, D.C. lobbying effort before members of Congress and the Executive Branch on issues of concern to public power entities.

Metropolitan is also a member of the California Municipal Utility Association (CMUA), which has been a very active participant in California electric utility industry restructuring proceedings at the California Public Utilities Commission (CPUC), the California legislature, and at FERC.

With all of the extraordinary activities necessarily undertaken by APPA regarding FERC's promulgation of transmission open access rules and the threatened sale of power marketing administration assets, by WSCC regarding reliability, and by CMUA regarding California electric utility industry restructuring, all three organizations have made special assessments of the members to pay for the additional costs arising from such efforts. Metropolitan has budgeted funds for payment of these special assessments in the 1997-98 Fiscal Year.

Use of up to \$50,000 during the 1997-98 Fiscal Year from the Annual Budget Appropriation is hereby requested to cover the cost that may be incurred for supplemental and special assessments by APPA, WSCC, and CMUA, and for membership in and additional costs incurred by other power-related organizations which Metropolitan may join, as approved by the General Manager. A report to the Board on the expenditure of these funds is made in the annual report to the Board on association memberships.

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