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From: David Layton [dwl@comcast.net]
Sent: Tuesday, September 04, 2007 5:05 PM
To: Gleason-WebEmail
Subject: Engaging California in a water-energy deal as a follow-up to recent ACC action

Dear Dr. Gleason, For your information, I have sent the following statement to the Governor and Senator Bee regarding potential negotiations with California to establish an energy-water settlement that would benefit Arizona and California. The basis for the proposed negotiations is the recent action of the ACC to deny So. California Edison's application for a transmission line to Arizona. I realize that the ACC is an independent agency under the Arizona Constitution, but I hope that you could still support independent, state-level negotiations that could fairly compensate Arizona for California's desire to purchase our excess electrical energy. Please read below:

As a state in an arid region, Arizona's water resources constitute one of its most important assets. Therefore, it is imperative that our elected officials take advantage of any opportunities for preserving and enhancing those resources. In this regard, I strongly urge the Governor and the Legislature to take appropriate measures that will encourage California to negotiate a revision to Section 301(b) of the Colorado River Project Basin Act of 1968. This statute requires that the Central Arizona Project must reduce withdrawals from the Colorado River when shortages exist in order to protect California's allocation of 4.4 million acre feet of water. Given the uncertainties in the long range availability of water in the Colorado River Basin due to climate change and the impacts of a lingering drought, the provisions of this statute could have very serious impacts to cities and farms relying on CAP water deliveries. Normally, Arizona would have no leverage to bring California to such negotiations, but recently the Arizona Corporation Commission rejected a transmission line to California that would take advantage of excess generating capacity in Arizona. According to newspaper reports, operation of the proposed line by Southern California Edison could save California ratepayers about \$1 billion in reduced electricity costs. Aside from having no demonstrable benefits to Arizona, the transfer of electrical energy to California would also require water to cool the power plants providing the energy!

This attempt by California to acquire Arizona energy with no tangible benefits to us must be stopped by aggressive legal and legislative action. Only then will California have an incentive to negotiate a more equitable method for sharing shortages in Colorado River water. Southern California Edison recently filed a lawsuit to void the ACC decision and it certainly would be outrageous if Edison succeeds in this legal action and Arizona gains nothing in return. The mutual benefits of obtaining an energy-water settlement are clear. A transmission line to Arizona could help avert rolling blackouts and reduce high electricity costs in California, while a revised allocation scheme in which California shares water shortages on the Colorado River would make CAP water far more dependable in the long run. The question now is who in State government will provide the leadership needed to accomplish a mutually beneficial resolution to this energy-water nexus?

Dave Layton, Ph.D.

Arizona Corporation Commission

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