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Colorado River Municipal Water District

September 24, 2012

Chairman Donna L. Nelson
Commissioner Kenneth W. Anderson, Jr.
Commissioner Rolando Pablos
Public Utility Commission of Texas
1701 North Congress Avenue, 7th Floor
Austin, Texas 78701

Ms. Pam Whittington
Competitive Markets Director
Public Utility Commission of Texas
1701 North Congress Avenue, 7th Floor
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PUBLIC UTILITY COMMISSION
FILING CLERK

Re: Project No. 31600, *Transition to an ERCOT Nodal Market Design*; Priority Power Management, LLC's Request for Emergency Inquiry into Causes and Solutions to the Alarming Upward Trend and Current Extreme Levels of Congestion Costs in the ERCOT West Load Zone

Commissioners:

The Colorado River Municipal Water District ("CRMWD")¹ respectfully submits this letter in support of Priority Power Management, LLC's ("PPM") August 24, 2012, letter to the Public Utility Commission of Texas ("Commission") in the referenced matter.

Like other customers in the West Zone, CRMWD has been seriously affected by the recent unprecedented increases in West Zone congestion charges. These extraordinary charges have caused CRMWD's power costs to rise dramatically over the last six months. Since the Nodal Market began on December 1, 2010, CRMWD has paid over \$1.2 million in congestion charges, of which approximately \$300,000 were in the months of July and August 2012.

CRMWD has significant investment in its operations in the West Zone to maintain an adequate supply of the best quality water possible, at a reasonable cost, for its service area. CRMWD must continue to invest in our operations to meet the water needs of our customers. Our largest challenge to date has been the severe drought in Texas. However, increases in power costs, directly related to congestion charges, have created an unexpected challenge and have had a negative impact on our operations and necessary future investments.

¹ The Colorado River Municipal Water District, a Special Law District and Political Subdivision of the State of Texas, owns, maintains, and operates ten dams and reservoirs and six groundwater well fields for water production and water quality purposes in West Texas. We supply all or part of the raw water needs of approximately 500,000 people. CRMWD also operates and maintains more than 600 miles of water transmission pipelines, which include twenty-two pump stations. CRMWD member cities include Odessa, Big Spring and Snyder; municipal customers include Midland, San Angelo, Abilene, Stanton, Robert Lee, Grandfalls, Pyote and the Millersview-Doole Water Supply Corporation.

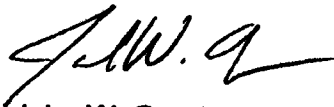
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Electric power is a major component of the CRMWD annual budget, with well over \$7 million paid each year for electricity service to our facilities. In nearly all cases, CRMWD purchases electric power at transmission voltages, since we own, operate and maintain our own electric substations. We do everything possible to keep our electricity expenses low to provide the best quality water possible at a reasonable cost. The extreme levels of congestion costs in the West Zone are jeopardizing our ability to achieve this goal.

CRMWD understands that potential solutions have been identified and implemented, including changes to the ERCOT Verifiable Cost Manual approved by ERCOT's Wholesale Market Subcommittee and a system change that opened two transmission lines near Odessa to move the problematic congestion to a more manageable location. CRMWD also understands that Oncor has moved up its expected completion date for the Odessa North - Goldsmith South - Holt transmission upgrades from late 2013 and 2014 to May 2013.

CRMWD recognizes that these steps indicate progress. CRMWD thanks the Commission, the Commission Staff, the IMM, and ERCOT for their efforts to date. However, CRMWD believes there are other solutions and options that still need to be considered. CRMWD respectfully asks the Commission to continue to push forward toward finding interim and long-term solutions and urges the Commission to keep ERCOT and the stakeholders focused on finding such solutions and bringing West Zone congestion charges down to levels that are consistent with a properly functioning nodal market.

Very truly yours,



John W. Grant
General Manager

cc: John Dumas, ERCOT
Chad Seely, ERCOT
Dan Jones, Independent Market Monitor
Priority Power Management, LLC