

**BASIN ELECTRIC
POWER COOPERATIVE**

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September 28, 2012

Anita Decker
Acting Administrator
Western Area Power Administration
P.O. Box 281213
Lakewood, CO 80228-8213

Dear Acting Administrator Decker:

Thank you for the opportunity to comment on the August 9, 2012, Operations Study. Basin Electric has a long-standing relationship with Western and, in the Upper Great Plains Region, is a major partner in the joint transmission system known as the Integrated System (IS) with Western and Heartland Consumers Power District. Western is also the transmission operator for Basin Electric's transmission facilities in both the eastern interconnection and the western interconnection. Through our role in the IS and as a supplemental power supplier to many of Western's preference customers we have a vested interest in ensuring that any activities you may undertake as a result of this study are prudent and in the best interests of Western's customers. Basin Electric supports Western in its effort to identify areas for improvement, but we have significant reservations about this study.

A key flaw of this study is its failure to recognize the fundamental difference between Western and other utilities, especially for-profit IOUs. Western covers 5 river basins and more than a dozen states. Each project under Western's jurisdiction has its own statutory requirements. Western's primary purpose is the marketing and transmission of low-cost federally-produced hydropower to its preference customers. Absent congressional action to overturn that mandate, many of the study recommendations simply are not practical. Western cannot act contrary to its enabling statutes.

For example, one of the study's key recommendations is consolidation of Western operations. This approach is misguided at best. What is assumed to be inefficient by the study is actually beneficial. The local knowledge and expertise of the staff in Westerns' regions is essential to management of these projects and cannot be dismissed lightly. Just because something is assumed to be more efficient doesn't mean it is practical or economical. So-called "improvements" shouldn't come at the expense of Western's contractual obligations and services to its customers. Similar proposals in the study to consolidate tariffs and balancing authorities lack adequate support and deserve additional scrutiny. Ultimately, the study includes significant cost shifts onto the existing users of the system. Western's customers should not bear these costs if they do not directly benefit.

Basin Electric believes that Western needs to consider carefully what the study is actually recommending before proceeding further. That includes cost-benefit analysis of the study in full consultation with Western's customers to determine if the changes are even warranted. Until then, Basin Electric cannot endorse this study or its recommendations.

Thank you for your time and consideration of these comments.

Sincerely,

A handwritten signature in blue ink that reads "Michael D. Risan".

Michael D. Risan
Sr. Vice President, Transmission