

August 28, 2012



Ms. Lauren Azar
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U.S. Department of Energy
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Dear Ms. Azar:

On March 16, 2012, Energy Secretary Chu issued a memorandum directing major changes for the federal power marketing administrations (PMAs), including Western Area Power Administration (WAPA). The consumer-owned utilities that are directly impacted were not consulted prior to the issuance of this document. Since that time, the DOE has held a series of meetings and listening sessions regarding the memorandum. Moorhead Public Service (MPS) General Manager Bill Schwandt provided comments at the August 2, 2012, DOE listening session in Sioux Falls, South Dakota. Please also include the written comments in this letter in your record.

Moorhead Public Service owns and operates the electric utility for the residents and businesses of the community of Moorhead, Minnesota. WAPA supplies Moorhead Public Service with 51 percent of our base power supply, while the supplemental portion is provided by Missouri River Energy Services, a joint-action agency located in Sioux Falls, South Dakota, along with a small portion from our Capture The Wind[®] Renewable Energy Program. WAPA's firm power supply program is of significant importance to Moorhead since it provides a reliable, economical, and environmentally-friendly source of electricity.

The memorandum calls for the PMAs to take a leadership role transforming the electric utility sector "within their existing statutory authority" and appears to focus on transmission issues; yet, many of the programs go beyond the statutory authorities of WAPA.

With the exception of integration of variable resources, the rate incentives proposed in the memorandum do not relate to the transmission focus of the memo. They would only affect WAPA's firm power customers, who serve at the retail level and have already implemented many of these initiatives years ago, such as energy efficiency and renewable energy integration. In any event, these programs are more suited to electric utilities serving retail consumers than to a PMA, and do not contribute to improving infrastructure, implementation of PMA transmission authorities, or improving collaboration with other electric utilities in transmission grid operations.

In addition, MPS has been an innovative retail electric utility for many years, with a rich history of implementing energy efficiency, demand-side management, and renewable energy programs.

MPS, along with WAPA, has been playing a leadership role for at least 30 years. Two awards that MPS has received help demonstrate this. MPS received the Administrator's Award in 1984 from WAPA. The plaque stated, "In special recognition of exceptional conservation and renewable energy contributions." This award recognized MPS' implementation of demand-side management activities

in the early 1980s. More recently, in June 2012, MPS was recognized with the DOE's 2012 Public Power Wind Award for its innovative renewable energy programs—Capture The Wind® and Capture The Energy®. Capture The Wind® has been recognized nationally as a customer participation green power program. In 2011, MPS implemented a photovoltaic solar energy site under its Capture The Energy® umbrella.

WAPA previously developed policies and programs to integrate variable resources. In the upper Great Plains, WAPA is integrating over 1,000 megawatts of wind power owned by consumer-owned and municipal electric utilities in the region.

The transmission system of WAPA in the Pick-Sloan Missouri Basin Program does not “overlay” the transmission system in the region, but is integrated with transmission of utilities in the region. In fact, the transmission system in the upper Great Plains was developed by coordinated transmission planning long before regional transmission organizations came on the scene.

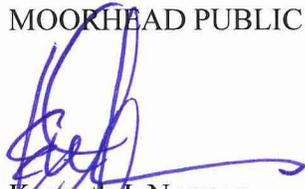
We are concerned about the costs of these programs. The federal power program is based on the principle that the beneficiary pays for the programs from which they benefit. Secretary Chu's memorandum does not state how these program costs are to be recovered and by whom.

The memorandum makes passing reference to cost-based rates, yet includes program initiatives, such as rate incentives, that do not appear to be costs traditionally established by Congress. The memorandum assumes a need to undertake this array of initiatives without demonstrating why these initiatives are needed. The memorandum overlooks or is unaware of the variety of activities and programs already in place in WAPA Pick-Sloan. Before moving forward, a better understanding of the current state of affairs is needed.

We are concerned that the DOE's policy goals may move WAPA in a direction that is outside the agency's statutory mission, not understanding that the retail customers of WAPA have been doing many innovative energy activities, or that WAPA customers may face unwarranted rate increases. Please study new programs carefully and consult with the consumer-owned utilities of WAPA who have a direct connection with retail consumers and have been delivering reliable services, as well as implementing energy efficiency, demand-side management, and renewable energy programs, like MPS' Capture The Energy®, for years.

Sincerely,

MOORHEAD PUBLIC SERVICE COMMISSION



Kenneth J. Norman
President



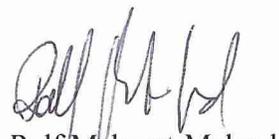
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