

To: U. S. Department of Energy/Western Area Power Administration Joint Outreach Team

From: Scott Hain, General Manager  
Worthington, MN Public Utilities

Date: July 30, 2012

RE: Response to the U.S. Department of Energy Secretary Steven Chu's "Defining the Future Initiative"

Our publicly owned utility, Worthington Public Utilities, receives a portion of our power supply through a long-term contract with the Western Area Power Administration (WAPA) Upper Great Plains Region (UGPR). Missouri River Energy Services (MRES) provides our remaining requirements above the WAPA portion.

Worthington Public Utilities takes pride in providing reliable electric service at the lowest reasonable cost, consistent with good environmental stewardship. As a representative of Worthington Public Utilities, I would like to express concerns about recent action proposed by U.S. Energy Secretary Steven Chu that would threaten to increase the cost of our power and increase electricity rates in our community.

On March 16, 2012, Secretary Chu sent a memorandum to WAPA and other power marketing administrations (PMAs) directing them to change their fundamental and long-successful purpose to include a wide variety of new programs. Secretary Chu wants the PMAs to "play a leadership role" by offering incentives for energy efficiency and making investments in transmission for the purpose of integrating renewables in the market.

First, our community questions the need for such new programs by the Department of Energy (DOE). Many of these efforts – such as increasing energy efficiency and demand response and integrating renewable resources – were initiated years ago by our utility. Worthington Public Utilities has been offering cash incentive programs to our customers to make energy efficiency improvements since 1996 and in 2011 our customers received \$151,884.20 in energy efficiency incentives which resulted in 535.31 kW and 2,326,948 kWh in savings. In the area of demand response, Worthington Public Utilities is in the second year of a three-year program to install residential air conditioning control and we are also changing out all electric meters to "smart meters" in anticipation of the implementation of additional demand response programs. As for renewable resources, Worthington Public Utilities partnered with Missouri River Energy Services, our supplemental power supplier, in the construction of the Worthington Wind Farm (5.5 MW) in 2002-2003.

More importantly, we are very concerned that many of the initiatives proposed by Secretary Chu would force PMA customers to pay for changes that benefit customers well beyond those of the PMAs. Current power customers would be required to pay for these new or expanded programs even if they do not benefit from them. This would raise electricity costs in our region substantially and move away from the long-standing "beneficiary pays" principle.

Finally, decisions regarding the PMAs and the federal hydropower projects from which they sell power will be shifted away from the regions they serve to more decision making by the DOE in Washington, D.C. This approach has little or no relationship to the needs of our local electric customers.

WAPA's mission is to market and deliver surplus hydropower generated at federal multipurpose dams to preference customers at the lowest possible rate consistent with sound business principles. Energy Secretary Chu's directives are unnecessary, and frankly, outside WAPA's statutory limited authority. Expanding WAPA's role as prescribed would increase electricity costs for our community's families and businesses. Secretary Chu should withdraw his directives and allow WAPA to continue their successful and low-cost operations as statutorily defined.