

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

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Chief Executive Officer

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

Thank you for the opportunity to provide comments on the proposed changes of the role of the federal Power Marketing Administrations (PMA).

Missouri River Energy Services is a member-owned, not for profit joint action agency that provides electric energy and services to 61 communities that own and operate electric systems in the states of Iowa, Minnesota, North Dakota, and South Dakota. Fifty-nine of 61 Missouri River Energy Services (MRES) members are firm power supply customers of Western Area Power Administration (WAPA) Upper Great Plains Region (UGPR). Each of these communities receives a hydro power allocation at a contract rate of delivery (CROD) from WAPA. Any needs in excess of the WAPA CROD are supplied by MRES. In aggregate, these municipalities represent over 20% of UGPR firm allocations.

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 getting more renewables integrated into the market. This effort needs to recognize the leadership of regional consumer-owned utilities, along with regional federal hydro-power agencies, in energy efficiency and employing new technology.

The following demonstrates, through the utilization of the current regional planning business model, what the consumer-owned customers have accomplished and glimpse of future efforts.

1) MRES Members have invested in demand side management (DSM) efforts for decades and continue to research and enable new electro-technologies.

Historical DSM

MRES members have a rich history of employing DSM technologies. One of the first formal demand-side activities employed by the members was load management. Several members installed systems in the early 1980s. A few of the members have been recognized as pioneers in adopting this technology. Since that time, over half the communities of MRES membership have individually took it upon themselves to install load management systems.

MRES members have a similar history when it comes to energy efficiency (EE) programs. Individually, each of the communities has analyzed and determined which EE programs best fit the need of their customers. Some have employed lighting rebate programs while others have offered rebates for EE appliances. Many of the communities have offered consumer-owners an infrared scanning service of building envelopes at no-cost or reduced rate.

In 2005, it was estimated the DSM efforts of members reduced MRES peak demand by approximately 8% in 2005 (57 MW) along with reduced energy consumption of nearly 1% per year.

Recent DSM

With some of the states in the northern plains region establishing energy efficiency goals (e.g. Minnesota has a 1.5% annual energy savings goal), MRES has been increasing its campaign for employment of DSM through the utilization of energy efficiency and coordinated demand response during the last few years.

In 2008, MRES expanded the members' efforts by introducing Bright Energy Solutions® (BES). BES is an EE program that provides rebates to those who install qualified new energy-saving technologies or retrofit existing equipment in their homes or businesses. This program offers our members' customers many ways to save energy and save money--from energy efficient heating and cooling to efficient motors to high efficiency lighting projects. BES started with five commercial and industrial (C&I) programs, and now has increased to ten programs. Four residential programs were added in 2009

In 2011, MRES began taking load management to a higher level by implementing a system-wide load management effort, called the Coordinated Demand Response (CDR) program. Five communities are currently participating in the CDR program and are in various stages of implementation.

From 2008 through 2011, the BES program has saved just under 80 million kilowatt-hours (kWh) and reduced demand by 16.7 kW. Combined, BES and the CDR program are projected to reduce or delay the need for another 76 MW of generation resources by 2025.

Enabling Electro-Technologies

MRES and its members have been quite active in research and planning, and in some cases, employing electro-technologies. Below is a list of some of the recent activity:

- The utilization of a Board-level Smart Grid Committee that examines the costs, benefits, and interoperability of supply-side (generation) Smart Grid technologies, utility automation technologies, and customer-focused technologies;
- Employment of Smart Metering: Advanced Metering Infrastructure (AMI) installed in 10 communities and Automated Meter Reading (AMR) installed in 18 communities;
- Development of streamlined interconnection standards for members, e.g., solar and small wind power;
- Development and distribution of a utility planning manual for electric vehicles;
- Digital thermography, ultrasonic leak detection services, and electronic motor testing;
- Membership and participation in the Electric Power Research Institute and
- Membership in American Public Power Association's Demonstration of Energy-Efficient Development program.

2) MRES and its members have a rich history —and a promising future – in renewable energy development.

Wind Power

MRES and its members did not wait for large companies to develop wind power. Moorhead Public Service (MPS) in Moorhead, MN installed a wind turbine locally in 1999 and launched a green power program that became recognized nationwide called Capture the Wind.® It signed 425 subscribers in a community of 12,500 before the first 750 kW turbine was built. When an additional 85 customer put

their names on a waiting list, the utility made plans to construct a second wind turbine. The second turbine was subscribed within a month and MPS installed another 750 kW turbine in 2001.

MRES learned from the experience of MPS, and built the Worthington Wind Project in 2001 located just west of Worthington, MN, an MRES member community. The Worthington Wind Project (WWP) consists of four 900 kilowatt (kW) wind turbines and two 950 kW turbines. WWP was erected as part of the continued commitment of MRES to the environment, and to help MRES members meet renewable energy objectives.

In the late 2000's, MRES expanded its renewable portfolio by integrating several other wind projects. In 2007, MRES executed a power purchase agreement with a local community energy developer to purchase 20 MW of wind generation from the Odin Wind Project. Later that same year, MRES signed another agreement to purchase 18.7 MW of wind generation from the Marshall Wind Project, just south of Marshall, MN, an MRES member community. As of 2012, the MRES portfolio of wind generation tops 85 MW which represents about 9% of its energy sales in 2012.

Hydro Power

MRES and its members are continuing to invest in renewables. MRES, through its affiliate Western Minnesota Municipal Power Agency (Western Minnesota), is developing the Red Rock Hydroelectric Project (RRHP), a hydroelectric electric generating project located near Pella, Iowa. RRHP will be located on the existing Red Rock Dam and Red Rock Reservoir, which is federally-owned property managed by the U.S. Corps of Army Engineers. The RRHP will have a nameplate capacity of 36.4 MW and is designed to be capable of producing up to 55 MW of output during peak periods of water releases. MRES anticipates beginning construction of the project in 2013 and achieving commercial operation in 2016. The projected cost of the project is \$224 million.

MRES is also investigating the feasibility of hydroelectric generation at U.S. Army Corps of Engineer Lock and Dam facilities on the Mississippi River. WMMPA has received preliminary permits from the Federal Energy Regulatory Commission for the development of hydroelectric generation on Lock and Dam 11 near Dubuque, Iowa and Lock and Dam 15 near Davenport, Iowa.

3) UGPR Customers have stepped up to fund federal hydropower agency needs.

Over the last couple decades, the federal government has continuously reduced appropriations to the federal hydropower agencies. In response to the inability of the federal government to provide dollars to maintain federal generation and transmission facilities, the consumer owned utilities in UGPR have taken a leadership role and stepped up to bridge that gap by forming Western States Power Corporation (WSPC). MRES joined the WSPC on behalf of its members in 1998.

WSPC membership consists of WAPA firm power customers, and was formed to provide customer funding of WAPA operations and maintenance expenses and/or capital projects. Since 1999, WSPC UGPR customers have provided over \$215 million to WAPA and the US Army Corps of Engineers and the US Bureau of Reclamation for several different projects and purposes to date, with more anticipated in the future. At the end of fiscal year 2012, MRES will have advanced approximately \$60 million since 1999.

Time and again, WSPC has asked the federal hydro-agencies of UGPR Eastern Division "Has WSPC ever turned down the agency's legitimate request for regional funding?" and the answer has always been "No."

There is no need for third party financing, from for-profit enterprises, whose only focus is to reap profits for the shareholders, to fund activities. WSPC provides this service to the regional federal hydro-power agencies at a fraction of the cost, saving money for consumers. Other regional PMA's have the ability to do the same at the regional level. The PMA regions should be allowed to continue to make the decision on how to solve issues within each unique region.

4) The market will determine if there is value for WAPA to enter into an energy imbalance market (EIM).

The decision on participating in an EIM is a very complex issue and requires much study and consultation. Each regional utility operates in a different environment with different market conditions. Each PMA needs the flexibility to conduct region-specific cost/benefit analysis of operating within or out of an EIM. UGPR is currently studying a similar move by entering into a Regional Transmission Organization (RTO). Only through the results of such analysis and an open dialogue with the customers can each of the WAPA regions make the best informed decision. Such an entry should not be dictated by administrative fiat by a governmental body far-removed from that region.

Summary

MRES and its members, along with other consumer owned utilities in the region, have taken a leadership role in employing demand-side management strategies, new electro-technologies, investing in infrastructure, and integrating renewables. This was accomplished by the regional federal hydropower agencies working with the regional consumer owned utilities, collaboratively addressing the needs of the marketplace through the utilization of sound business practices, without Washington, D.C. dictating the terms. Upon examining the information, MRES and its members are hopeful the Administration will resist the temptation of centralized PMA planning and program implementation, and support the record of success of the regional PMA planning efforts.