



To: DOE/Western Joint Outreach Team
JOT@wapa.gov

Date: August 15, 2012

Re: Comments regarding “Defining the Future” workshops

Minnesota Municipal Utilities Association (MMUA) appreciates the opportunity to submit these comments following participation in the Joint Outreach Team’s August 2, 2012 “Defining the Future” workshop in Sioux Falls, SD.

MMUA, established in 1931, is a non-profit Minnesota corporation whose mission is to unify and serve as a common voice for municipal utilities, and to provide them with the support they need to provide quality service to their customers and community. At present, 46 of the 125 municipally owned electric utilities in Minnesota are preference customers of the Western Area Power Administration (WAPA), receiving more than one third of their total power requirements from the agency. Some of these utilities are almost completely dependent on WAPA to meet their wholesale power needs.

MMUA participated in the August 2 workshop out of concern about several aspects of Secretary Chu’s March 16, 2012 memo. Following the workshop, MMUA continues to have serious concerns regarding the Secretary’s proposed initiatives and the substance of subsequent statements made by the DOE relating to proposed changes to WAPA’s role in the energy industry.

In his memo, the Secretary directs WAPA (and other Power Marketing Administrations, or “PMAs”) to “play a leadership role” by offering incentives for energy efficiency and making investments in transmission for the purpose of integrating renewable energy into the market. The Secretary frames his directive within four specific proposals that would require WAPA to:

1. Implement new transmission authorities
2. Improve rate designs
3. Improve collaboration with other owners and operators of the grid
4. Modernize oversight

Implement new transmission authorities

Secretary Chu has called on WAPA (and the Southwestern Power Administration) to implement their authorities under Section 1222 of the Energy Policy Act of 2005 and the 2009 stimulus bill to borrow money and partner with third parties to construct new transmission. The stimulus bill gave WAPA authority to borrow up to \$3.25 billion from

the U.S. Treasury. In a 2009 request for proposals, WAPA said projects must be used to deliver or facilitate the delivery of power generated by renewable resources. To use WAPA as a vehicle for the development of new renewable resources seems to us to be a distraction from WAPA's true role, the continuation of a successful program to effectively generate and transmit electricity from the most efficient form of renewable energy that our region has ever seen, *hydropower*.

We are also concerned that, if new transmission to facilitate the delivery of renewable energy is built in the Upper Great Plains Region, its purpose will be to move energy generated in our region to markets further east and far removed from the long-standing WAPA service area. The existing preference customers of WAPA would not be the beneficiaries of this new transmission, but could be asked to help pay for it.

Here in Minnesota we have begun construction on Phase 1 of the CAPX 2020 project, a \$1.7 billion upgrade of Minnesota's bulk transmission system. The new CAPX 2020 facilities will greatly increase our capability to move wind energy from remote generation sites to load centers. We are concerned that additional transmission development by WAPA in our region would be both expensive and redundant.

Improve rate designs

As stated in his memo, the Secretary is directing WAPA to create rate structures that incentivize energy efficiency programs, demand response programs, integration of variable resources and preparation for electric vehicle deployment. This new proposal could very well benefit customers well outside of the WAPA region while current WAPA customers would pay for new or expanded programs from which they might not benefit at all. It is our concern that this proposal would raise electricity costs in our region substantially and move away from the "beneficiary pays" principle and would lead to the abandonment of the long-standing tradition of cost-based rates.

Furthermore, this "improvement" is unnecessary, as Minnesota municipal utilities have long complied with state renewable energy standards and energy efficiency requirements that are among the most far-reaching in the nation.

In 2007, Minnesota enacted one of the most aggressive renewable energy laws in the United States. Under the law, utilities must secure:

- 7% of their electricity from renewable resources by the year 2010,
- 12% by 2012,
- 17% by 2016,
- 20% by 2020,
- 25% by 2025

Minnesota's public power entities, which secured 428,000 megawatt-hours from renewable sources in 2011, are on a path to meet the 2012 renewable mandate.

The state mandate for conservation began in 1993, when Minnesota law required municipal electric utilities to spend 1% (eventually increasing to 1.5%) of their gross revenues on conservation improvement programs. In 2007, the Minnesota legislature changed the statewide conservation goal from a spending requirement to a 1.5% *annual energy savings goal*, requiring each utility to spend substantially more than the 1.5% of revenue required prior to 2007. According to state reports, municipal electric utilities in Minnesota are now spending more than \$20 million annually on conservation, which translates to annual savings of 122 million kilowatt-hours.

Improve collaboration with other owners and operators of the grid

In his memo, the Secretary expressed his strong support for the creation of an “energy imbalance market” (EIM), a concept touted by wind developers through the Western Electric Coordinating Council (WECC). The decision to participate in an EIM is a complex issue that requires a great deal of study. Since each regional utility operates in a different environment with different market conditions, WAPA should be allowed to conduct region-specific cost benefit analysis of operating within or out of an EIM. Only through the results of such analysis, which should include discussions with the customers, can each of the WAPA regions make the best informed decision on participating in an EIM. Such an entry should not be dictated by a governmental body far removed from each region.

Modernize oversight of WAPA

We are concerned that the proposal to “modernize” oversight over WAPA and other Power Marketing Administrations may result in diluting local decision making, while substituting centralized direction from Washington D.C. It is our belief that decisions that are made closest to the customer are the best decisions.

For decades, WAPA has done an outstanding job in meeting the goal of providing reliable electric service at the lowest reasonable price to municipal utilities that are preference customers in Minnesota. Altering that mission in such dramatic fashion, as Secretary Chu’s memo proposes, could severely jeopardize that success. Thank you for your serious consideration of these comments as you contemplate the significant and historically positive impact of WAPA and the other PMAs on America’s energy industry and the importance of maintaining that stabilizing force.

Respectfully,

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