

August 16, 2012

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

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

The North Iowa Municipal Electric Cooperative Association (NIMECA) is a municipal joint action agency that provides power supply, transmission, and other related service to 16 municipal utilities in Iowa. Seven of these 16 municipal utilities are firm power customers of Western with excess needs supplied by NIMECA.

In his March 2012 memo Secretary Chu called for the PMAs, including Western, to change their long standing and successful purpose to include a wide variety of new programs and activities. These changes include offering incentives for energy efficiency and transmission investments to assist the integration of renewables into the market.

We have concerns about the impact this initiative will have on Western. Western has been providing reliable, cost-based electricity to consumer owned utilities since its inception. The Chu initiative will lead to unnecessary duplication and increased cost as these activities are already being undertaken by Western's customers, including the NIMECA members.

NIMECA's members have been active in promoting energy efficiency through a variety of programs such as commercial and residential lighting, geothermal systems, appliances, electric motor improvements, load control, among others. NIMECA's members have been involved in renewable energy since 1997 when one member participated in the construction of a municipally owned wind farm. Since that time NIMECA members have made purchases from two additional wind farms. NIMECA has also assisted our members with development of policies for the interconnection of renewables to their local distribution systems. These policies have helped with the development of several small renewable projects that interconnect with our members' local distribution systems. Smart meters and time of use rates are also being implemented and used by NIMECA member systems.

This initiative will lead to Western customers paying higher rates with little or no benefit directly to the Western customers. Customers of utilities outside of the PMA regions will benefit instead but they will not pay for those benefits. This will move us away from the long standing tradition of having the "beneficiary pay". This initiative also twists the idea of Western's cost based rates. Cost based rates are not simply providing the service at cost. Cost based rates are providing necessary services at the lowest cost possible by only including needed expenses. The initiatives outlined in the Secretary's memo will increase costs unnecessarily, forcing Western customers such as the NIMECA members to increase retail rates on homeowners, farms, and small businesses.

Western's purpose is to deliver hydropower to its customers at the lowest possible rate while using sound business principles. The directive from Secretary Chu is unnecessary and will only lead to higher costs and higher rates to our consumer owners. Secretary Chu should end this initiative and allow Western and the other PMAs to continue their successful operations as they have been doing since they were created.

Greg Fritz
Chief Executive Officer

NIMECA