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A Touchstone Energy® Cooperative 

August 17, 2012

TO: JOT@wapa.gov

FROM: East River Electric Power Cooperative, Inc.

SUBJECT: Comments Related to March 16, 2012, Secretary Chu Memorandum

East River Electric Power Cooperative, Inc. (East River), is submitting this letter as its formal comments for the record as follow-up to the 'workshops' and 'listening' sessions related to the March 16, 2012, Memorandum (Memo) issued by Department of Energy (DOE) Secretary Steven Chu concerning the role of Power Marketing Administrations (PMAs).

East River is a preference customer as defined by federal law. East River is owned by and delivers wholesale power supply to twenty-four retail rural electric cooperatives and one municipally-owned utility. East River is a rural electric cooperative operating in accordance with the laws of the State of South Dakota and holds bulk power supply and transmission access and interconnection contracts with the Western Area Power Administration (Western). The twenty-five retail cooperatives and municipal-owned system provide electric service to over 120,000 end consumers in the rural areas of eastern South Dakota and southwestern Minnesota. The total area served of about 40,000 square miles is larger than the equivalent size of the State of Indiana.

The bulk power supply and transmission resources provided by Western to East River are critical and foundational resources for serving these end consumers.

Reliability and affordability are the top priorities of these consumers. Western's historic focus on its core missions has played a vital role in enabling utilities in the Upper Great Plains region to meet these goals.

Western's backbone system has also permitted the rural electric cooperatives to be leaders in deploying smart grid technologies, promoting energy efficiency, and integrating variable energy resources. Without Western's reliable and affordable platform, these achievements and future advancements will not be possible. The resounding chorus at the workshops of 'first do no harm' is not only the right policy in general but also the best way to permit Western and its preference customers to build upon this proven track record of success and continue to meet the goals outlined in the Memo.

Because DOE has identified Western for its initial workshops and listening sessions, these comments will be primarily focused on Western.

East River's participation in two of the DOE workshops revealed a stunning gap in DOE's understanding of the proven leadership of Western as a respected and capable bulk wholesale provider of essential power supply and transmission services throughout its large service area. We assert and are supported by the overwhelming body of conclusions offered during the workshops and listening sessions that:

- A. **Leadership:** Western is effectively collaborating and coordinating with all manner of other interests, including its customers and other utility and stakeholder groups, to provide leadership and appropriate regional planning to meet or exceed its statutory responsibility to serve preference customers and operate a reliable and resilient transmission system.
- B. **Transmission Service:** Western is making significant investments in its transmission system to (i) assure reliability; (ii) sustain and improve reliability and load serving capability; (iii) integrate new technology; and (iv) comply with open access requirements while also meeting its legal responsibilities to serve the broad range of diverse preference customers including cooperatives, municipalities, state and federal installations, Tribes, and other customers.
- C. **Variable Energy Resources (VER):** Western is demonstrating by its actions and is addressing through its strategic goals and objectives a clear commitment to integrate VER. We offer as an example the over 730 MW of rural electric cooperative (including East River) owned or purchased wind resources which have been developed and integrated into Western's transmission system in North and South Dakota. These wind generating assets represent about 15% of Western's transmission delivery capacity.
- D. **NERC Reliability Compliance:** Western is actively complying with NERC Reliability Standards including cyber-security assets. These efforts have been undertaken in full coordination with the region's other utilities including preference customers. We would urge DOE to review Western's successful work in the area of NERC Reliability compliance evidenced by the results of NERC's audit of Western's transmission operations.

Both the record of the workshops and East River's conclusion is the same; namely, Western's performance in managing and operating foundational power supply and transmission resources is solid in all respects. In other words, there are no material 'gaps' in Western's performance.

In summary, we support initiatives to improve Western's operations including appropriate use of new technology and integration of clean energy. We strongly believe these on-going initiatives can and should be accomplished based on the following:

1. DOE should reaffirm its commitment to the proven success of the PMAs by evaluating and supporting the regional management of each PMA.

2. DOE should support the PMAs in the responsible integration of VERs within the principle of the 'beneficiary/user pays' while insuring the legal rights to federal power is not shifted to others at the expense of preference customers. At the South Dakota workshops, stakeholders, including wind advocates, utilities, tribes, and consumer groups, uniformly endorsed this 'user pay's principle.
3. DOE should actively support federal appropriations to sustain and enhance the valuable and proven federal renewable hydroelectric resources which are marketed by the PMAs. As part of this nation's critical and essential infrastructure, federally-owned hydro generation and transmission assets must share the same priority for funding along with the nation's federal highway system. Before imposing any new directives upon the PMAs, DOE should first focus on securing the funding necessary to carry out the core missions of the PMAs and any new responsibilities imposed upon the PMAs must include additional funding to carry out those functions.
4. DOE should withdraw its centralized and 'global' approach as outlined by the Memo and in its place restart a truly collaborative effort within each of the PMAs focusing on the unique regional challenges and opportunities within the framework of the PMAs Congressionally authorized purposes. To be successful, a collaborative process must provide a direct and substantive role for the federally defined preference customers.

We ask these comments be included in the formal record of the DOE proceeding.

Sincerely,



Jeffrey L. Nelson
General Manager

JLN/si