

Basin Electric Power Cooperative  
Comments on Secretary Chu's March 16, 2012 memo  
August 2, 2012  
Sioux Falls, South Dakota

Thank you for holding this workshop and session on Secretary Chu's "Defining the Future" memorandum to the Power Marketing Administrations. Basin Electric Power Cooperative is a member-owned, consumer-controlled transmission and generation cooperative serving the supplemental power supply needs above base allocations from the Western Area Power Administration (Western). Basin Electric supplies wholesale electricity to eleven Class A members who in turn sell that power to 134 member distribution cooperatives, serving 2.8 million consumers across 9 states. Many of our members receive power through the Pick-Sloan Missouri Basin Program in Western's Upper Great Plains Region.

Basin Electric has been following this matter closely since the Secretary's memo was released in March and the first workshop in Rapid City on July 17. Throughout this time, we keep coming back to a key question that has yet to be answered: "Why are we here?" As many of Western's customers have commented through the last several weeks, we believe the Department of Energy's (DOE) initiative is a solution in search of a problem. For more than 50 years, the existing transmission system and the Western-customer relationship has worked extremely well. Western also works extremely well with its neighboring transmission owners to ensure an efficient and reliable system.

This system was in place long before the advent of the Federal Energy Regulatory Commission's (FERC) open access policies, first as the Joint Transmission System (JTS) and now as the Integrated System (IS). The system is jointly planned and operated on a non-pancaked, postage-stamp basis. The IS offers non-discriminatory transmission service through an Open Access Transmission Tariff (OATT) on file with FERC as a safe harbor tariff. Western operates and administers the system. In addition to Basin Electric and Western, Heartland Consumers Power District is a co-owner of the IS.

The Integrated System's vision of going it together rather than going it alone is at the core of cooperative philosophy, and thus the success of Basin Electric. Our members are Western's members. Basin Electric and its members are so interconnected with Western that any changes that come out of this initiative could have a direct impact on our operations and the costs paid by rural consumers throughout our service area. The top-down, one size fits all approach being imposed on Western by the DOE is too broad and fails to credit or consider the current, locally developed planning process to improve the transmission system.

Basin Electric's main concerns cover three key areas. First, any proposal implemented as a result of this initiative must not upset the highly successful historical relationships in this region. Second, any proposal should not duplicate services or impose additional cost burdens on the rural consumers in this region. And, third, any additional users of this jointly planned and owned transmission system should pay for that system on a comparable basis commensurate with the level of service taken.

Simply put, the Secretary's memo fails to recognize the significant work by Western as a leader in the areas of reliability, planning and operations. Western is an original member of the Midwest Reliability Organization and Bob Harris, Western's Upper Great Plains Regional Manager, served as the first chairman of the Board. On numerous occasions Western has chaired similar predecessor groups in the Mid-Continent Area Power Pool. Likewise, Western is actively involved in similar leadership roles within the Western Electricity Coordinating Council and the North American Electric Reliability Corporation.

In the area of transmission planning, Western has jointly collaborated with its stakeholders to develop an expansive IS system of nearly 10,000 miles of high voltage transmission lines using planning principles 30 years ahead of its time. Through this collaborative process, Basin Electric will have invested over \$500 million in high voltage transmission assets in the ten year window between 2007 and 2016. These assets are integrated with Western's high voltage system to provide transmission access and service to Western's customers, Basin Electric's members and third party transmission customers on a non-discriminatory basis.

On an operational basis, Western applies centralized dispatch concepts to efficiently dispatch the generation in its balancing area for a highly successful hydro-thermal relationship that has proven itself for nearly 50 years. The flooding conditions of 2011 in the Missouri River Basin are a prime example. Excess hydropower on the system led Basin Electric to temporarily back off or shut down some of its coal units to better help coordinate and balance the generation on the system.

Since 2002, this system has accommodated the development of over 700 MW of renewable wind generation on behalf of the Basin Electric membership. Western is also taking a leadership role by complying with FERC's Order 890 for an open, inclusive, stakeholder-based planning process. Western is also actively participating in the FERC Order 1000 regional planning and cost allocation conversations within the WestConnect and Mid-Continent Area Power Pool planning regions. Western consistently coordinates with its neighbors in areas such as models, line ratings, available transmission capacity, sharing real time data, and operating guide development. As an example, Western recently entered into a seams agreement with the Southwest Power Pool to enhance coordination and regional cooperation.

With respect to costs and services, Western's mission was established by Congress to provide cost-based hydropower at the lowest rates possible consistent with sound business practices. Barring congressional action to alter or amend that mission, Western's statutory and contractual obligation to its preference customers takes precedence. Many of the goals outlined in the Secretary's memo, like energy efficiency and demand side management, would actually duplicate advances by cooperatives and municipal utilities in the region. Our members have taken the lead in the areas of energy efficiency and demand side management for decades. Why should Western, a wholesale power supplier, get involved in an area that is appropriately being handled at the retail level?

Lastly, the concept of "beneficiary pays" should be paramount through any process. It is true today for any additions to the system and should be no different under this current initiative. Preference customers do not object to new transmission developers or generators, including wind and renewable generation, from integrating with the IS. We've already seen significant development of renewable energy in the region with no major transmission hurdles that would block that development. However, as larger and larger wind farms are planned to transport wind generation out of the region, more transmission will need to be built. Developers of those projects should not receive preferential treatment at the expense of the preference customers. If Western and the IS benefit from any such projects, the preference customers can and should pay their fair share of the service. But if there is no benefit to Western or its customers, then they should not be obligated to pay the additional costs.

Western and the other PMAs can and should explore ways to better coordinate with their customers and neighboring systems. As you have heard, Western is already a leader in meeting transmission needs and integrating renewable energy. While Western should strive to improve its system, we urge DOE to carefully examine what Western is already accomplishing. We hope the DOE will take all of the comments from the workshops and ask: are the goals described in the Secretary's memo the appropriate goals? The DOE should allow Western's current management of the transmission system to continue operating and improving within its congressionally established mission of serving its customers. Thank you.