CITY OF Vermillion SOUTH DAKOTA

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January 14, 2013

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

From: Jack Powell, Mayor, & Vermillion Light and Power
25 Center Street, Vermillion, SD 57069
605.677.7050
jpowell@usd.edu

Re: Comments on Draft Recommendations of Joint Outreach Team (JOT).

Thank you for the opportunity to provide comments on the JOT recommendations on the "Defining the Future" initiative. The City of Vermillion owns and operates Vermillion Light and Power. Our municipally run Light and Power currently receives just over 60% of our power supply through long-term contracts with the Western Area Power Administration (WAPA) Upper Great Plains Region (UGPR).

Our concerns on the JOT recommendations are as follows:

Recommendations do not align with WAPA's core mission

WAPA's core mission is to market and deliver hydropower generated at the federal multipurpose dams to preference customers at the lowest possible rate consistent with sound business principles. However, it seems the central theme of the fourteen JOT recommendations focuses on integrating variable energy resources (VER), such as solar and wind resources, and not strengthening WAPA's core mission.

Recommendations will increase cost to preference power customers

We are very concerned about the cost impacts of such recommendations. Many of the changes proposed by the JOT recommendations could result in imposing new or additional costs on UGPR customers for integrating power resources that do not benefit the consumers of Vermillion Light and Power. In the rate methodologies described, UGPR customers could be paying for upgrades to transmission facilities in other regions. Would existing federal hydropower resources that serve local electrical needs be used to firm VER? This has the potential to benefit VER on the backs of the preference power customers. Furthermore, how much will the recommended studies cost? Who will pay for these studies?

Recommendations will result in centralized decision making

Another common theme in the JOT recommendations is a focus on shifting decision-making from each region to a more centralized, top-down approach. This is evident from the recommendations which intend to consolidate planning efforts to focus more on issues from a WAPA-wide approach. UGPR's needs and issues are different than other regions in the United

States. Each region has encountered different political and business environments. That is the primary reason for the dissimilar historical development of each region. The needs of Vermillion Light and Power and other local electric systems will come as a sacrifice to centralized planning and decision making.

Conclusion

During the JOT process we heard that WAPA and its customers have been addressing the appropriate concerns and developing regional solutions to address regional issues. With that, we believe the JOT recommendations are unnecessary and many are frankly, outside WAPA's statutory authority to implement. The recommendations will expand WAPA's mission and in some instances duplicate some of the planning efforts that are already occurring on a regional basis. As such, these efforts will result in increased electricity costs for our community's families and businesses.

Minimally, prior to any of the JOT recommendations being pursued or cost/benefit analysis being conducted, Vermillion Light and Power would suggest the following steps and the outcomes be discussed with the customers:

1. Determine if the recommendation is within the statutory authority to implement, if not remove the recommendation.
2. Estimate the cost to complete the study for each recommendation.
3. Determine who is going to pay to study each recommendation.
4. Estimate the amount of WAPA staff time required to study each recommendation.

Again, thank you for your review of our concerns with the JOT recommendations. Please do not hesitate to contact me with questions.

Sincerely,

Jack Powell

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