MUNICIPAL UTILITIES DEPARTMENT

901 Fourth Avenue Southwest
WATERTOWN, SOUTH DAKOTA 57201-4107
PHONE (605) 882-6233 • FAX (605) 882-6238

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

From: Steve Lehner
Watertown Municipal Utilities
901 4th Ave SW
Watertown, SD 57201

Date: January 3rd, 2013

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.

I represent our publicly owned utility, Watertown Municipal Utilities, which receives a portion 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 we serve. 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 western 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 our local electric system 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, Watertown Municipal Utilities 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.

Sincerely,

Steve Lehner
Watertown Municipal Utilities
901 4th Ave SW
Watertown, SD 57201

CC: Senator John Thune
Senator Tim Johnson
Representative Kristi Noem
Jeff Peters – Missouri River Energy Services