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# Southeastern Electric Cooperative, Inc.

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A Touchstone Energy® Cooperative 

January 22, 2013

Anita J. Decker, Acting Administrator  
Western Area Power Administration  
PO Box 281213  
Lakewood, CO 80228-8213

RE: Comments in Response to November 20, 2012, Federal Register Notice  
Emailed: [JOT@wapa.gov](mailto:JOT@wapa.gov)

Dear Administrator Decker:

Please accept this letter as the comments of Southeastern Electric Cooperative, Inc., (Southeastern), Marion, South Dakota, in response to the November 20, 2012, Federal Register Notice concerning the draft recommendations of the Western/DOE Joint Outreach Team (JOT).

Southeastern purchases its wholesale power from East River Electric Power Cooperative, Inc., (East River) out of Madison South Dakota and who is a preference customer as defined by federal law. Southeastern receives electric transmission service through East River and is one of twenty-four retail rural electric cooperatives and one municipally-owned utility as members of East River. Southeastern is a rural electric cooperative operating in accordance with the laws of the State of South Dakota and East River holds bulk power supply and transmission access and interconnection contracts with the Western Area Power Administration (Western) as assigned by our all requirements purchased power agreement. Southeastern provides electric service to over 15,000 end consumers in the rural areas of south eastern South Dakota.



Southeastern actively participated in the Defining the Future initiative which is based on the March 16, 2012, Memorandum to the Power Marketing Administrators from Energy Secretary Steven Chu.

Southeastern provides retail electric service to end consumers in very rural areas and some of the fastest growing areas in the United States. Even with the mixture of rural and fast growing urban areas we still serve only about 3.5 members per mile of line. Without access, at cost, to federal resources which is part of the Pick Sloan Missouri Basin program, our ability to continue to provide reliable and affordable retail electricity to our members will be severely compromised.

Our power supplier, East River, Southeastern and many other preference customers in the Upper Great Plains, have worked with Western and its predecessor federal agencies for decades focused on providing at-cost service to areas that would otherwise not be served. During that time, the preference customer interests led by the cooperatives came together with the federal government to create a jointly owned transmission system in 1963. This transmission system has evolved over time and remains today as a highly reliable system partially owned by Western, cooperatives, and other preference customers. Since the initial formation of the Joint Transmission System, today known as the Integrated System, this system has operated under open access principles to provide service throughout this region.

Access to this transmission network and the certainty of the availability of federal generating resources marketed to preference customers on cost-based principles has survived many political attacks which have sought to make fundamental changes to the use of these

resources. These attacks have included proposals to sell these assets or to arbitrarily increase the cost basis of these assets to raise revenue for other purposes. In addition, many have offered proposals to redirect the underlying statutory purposes away from the current 'core mission' of providing at-cost service to non-profit utilities and to state and federal entities and Native Americans.

Federal power supply and transmission resources enable the ultimate provision of reliable and affordable retail service through non-profit utilities because of case-proven federal law, thoughtful policy decisions by regional PMA administrators, financial commitments from preference customers, and carefully crafted reasonable contract arrangements. Western has a long-standing proven record of collaboratively working with its customers and many others as a proven and capable bulk wholesale provider that has given first priority to meeting its 'core mission' prescribed by federal law, integrating new technology, continuing to develop and operate a jointly-owned transmission network that has demonstrated exceptional reliability and meets federal open-access requirements, and is adapting with its customers to conform with and meet or exceed recently adopted NERC reliability standards.

We note with deep concern JOT recommendations to define the 'commercial value' of parts of the federal system be initiated. This strikes us as a first step toward pursuing the sale of federal assets which by law are to be available for preference customers. We will strongly resist such an effort and urge this course of action be removed from consideration.

At a minimum, the JOT recommendations must contribute to improving and building on the proven record of Western and other PMAs who primarily serve non-profit utilities based on long-standing federal law. The outcome of the JOT recommendations should not and must not compromise the reliability, increase the costs, or seek to redefine the legal standing of

Western. Doing so will have a direct effect on the millions of consumers who are served by non-profit preference customers, including East River and its member owners.

With those observations, we offer the following comments:

1. *Work in Progress:* Many of the JOT recommendations are being or have been studied by Western. Accordingly, we believe each JOT recommendation should include a description of the on-going or previous work which has already been completed.
2. *Collaboration:* Beginning with the March 16, 2012, Memorandum from Secretary Chu, the Defining the Future process has been largely conducted as a top-down initiative with no initial and little subsequent collaboration with non-profit utilities. The public process conducted during the summer of 2012 was poorly organized and structured to little meaningful opportunity for collaboration and did not result in defining DOE's intentions. While the JOT recommendations offer some general views on several operational and policy issues, we once again urge that any further development of these recommendations be conducted through collaboration between Western and its customers.
3. *Budgetary Challenges:* Many of the JOT recommendations suggest costly additional studies and devoting substantial Western staff time to perform such work. We believe redirecting Western's resources will compromise its ability to meet core mission responsibilities. Before proceeding with JOT recommendations, we request cost and staffing estimates be prepared and a clear description of where the revenues to conduct this work will be secured.

4. *Legal Authority:* We believe some, if not many, of the JOT recommendations conflict with underlying federal law. We would point especially to suggestions of inter-regional transmission rate consolidation which appears is possible only by co-mingling separate project costs and revenues and, therefore, violating cost-based principles. Before moving forward with further studies, we request Western conduct a legal review of the authority to implement these recommendations and make public such legal analysis. Without initial legal review, we believe substantial time, effort, and budget resources will be expended unnecessarily.
  
5. *Respecting Regional Differences:* While a guiding principle for JOT suggests sensitivity to regional differences among Western's projects, we note that many of the recommendations offer an underlying principle of consolidation and standardization. Before such broad principles can be applied, Western must define how such consolidation and standardization theories can conform to the statutory and practical regional differences which exist among Western's projects.
  
6. *Respect for Core Mission:* Generally, the JOT recommendations do not appear to be aligned with Western's core mission to market and deliver federal hydro-power to preference customers at the lowest possible rate consistent with sound business principles. We request the JOT recommendations be revised to describe the relationship that each of these recommendations has to Western's core mission.
  
7. *Energy Planning and Management (EPAMP):* East River and its members systems have actively participated in this Integrated Resource Planning (IRP) process. We are puzzled by the JOT recommendation which suggests this process either has not or is not meeting Western's requirements. To the extent that Western needs to

revise or standardize the reporting requirements within the process, that can be done in consultation with customers without a major commitment of resources. The JOT recommendation which suggests the EPAMP process should encompass broader public policy questions, such as the definition of externalities or the rare, if not non-existent situation where energy efficiency programs would directly affect the partial requirements portion of the power supply represented by Western's allocations, is inappropriate and we strongly believe beyond the scope of the EPAMP process. In consultation with its customers, Western has developed an EPAMP process that respects the ability for G&Ts, such as East River or Joint Action Agencies, to consolidate reporting requirements and avoid duplication with similar obligations to meet other state and federal integrated resource planning requirements. We note that most of Western's customers have and continue to demonstrate leadership in developing and integrating renewable resources, offering energy efficiency programs, and integrating new technologies such as 'smart grid', including the use of demand-side management. Beyond the articulated desire to better standardize the reporting requirements, a clearer identification of any deficiencies in the EPAMP program should be developed before further proceeding on this recommendation. In no event should Western use the IRP process to reward or penalize its customers or initiate broad new IRP requirements.

8. *Opportunity Missed:* We express our disappointment that the JOT recommendations elected to ignore the multiple pleas it received during the Defining the Future process to address an initiative from the Department of Energy related to the use of large volume electric water heaters which are a key element of demand-side management programs. Many of Western's preference customers, including East River and its members, have developed and effectively used this 'smart grid' tool to

accomplish very significant benefits for energy efficiency and customer savings. East River and its members launched demand-side management in 1985. The JOT recommendations ignored the multiple suggestions offered during the public process to help secure the continued use of high efficiency, high volume electric water heaters as part of these demand-side management programs. We have enclosed with our comments the letter submitted by East River on July 10, 2012, to Ms. Brenda Edwards, U.S. Department of Energy Building Program, outlining the substantial value that the use of high efficiency, high volume water heaters have as part of our demand response programs. We again offer the request raised during Defining the Future process and in our July 10, 2012, letter to DOE that part of the JOT recommendations pursue within DOE a change of course which would allow the continued use of this cost-effective tool as part of Western's customers demand response programs.

In closing, we believe JOT should affirm in its final report to the Secretary that DOE should work to strengthen the regional administration and operation of the PMAs. Further, the JOT should confirm and find ways to broaden the successful collaboration the PMAs have had in working with preference customers to accomplish virtually all of the broad goals defined in the Secretary's March 16, 2012, Memorandum. Last, the JOT should recommend placing a higher priority on providing budgetary resources to evaluate the PMAs to sustain and improve some of the finest renewable assets available in this country.

Sincerely,



Bradley J. Schardin  
General Manager