

**BASIN ELECTRIC
POWER COOPERATIVE**

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January 22, 2012

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

Dear Acting Administrator Decker:

Basin Electric Power Cooperative respectfully submits the following comments regarding the Western/DOE Joint Outreach Team (JOT) draft recommendations published on November 20, 2012. As a member of the National Rural Electric Cooperative Association and the Mid-West Electric Consumers Association, we also lend our support to comments you will receive from those entities as part of this review.

Basin Electric 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 a long-standing relationship with Western and our role is to provide supplemental power over and above the members purchases from Western, to many of Western's preference customers, and we have a vested interest in whatever final recommendations are issued to Secretary Chu as part of this process.

As noted in our official comments at the JOT Outreach seminar in Sioux Falls, South Dakota, we keep coming back to a key question that still has not been answered. "Why are we here?" From the outset we and many of Western's customers viewed Secretary Chu's March 2012 memorandum, which launched the JOT process, as 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. Initially, the Secretary's memorandum was viewed skeptically as to its seemingly "top-down" dictates to the Power Marketing Administrations. We appreciate that through the JOT meetings that Western and DOE have taken a more circumspect approach in the draft recommendations they proposed in November. Unfortunately, much remains to be answered with respect to the concerns of Western's preference customers.

First, many of the JOT recommendations are already being studied by Western, many of them the result of congressional action. Western should closely evaluate its current activities prior to forwarding recommendations to the Secretary to ensure there is no unnecessary duplication of pending or recently

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completed studies. This should occur in collaboration with Western's customers. Western's customers ultimately pay the cost of Western's operations through their federal power rates, so final recommendations need to include a cost estimate and potential budget impacts of those costs.

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. Already, we note that some of the recommendations appear to conflict with existing statutory authorities and responsibilities. For example any effort to consolidate rates across Western's regions would result in cost-shifts among Western's regions and customers, and would likely require new congressional authority. While, we agree Western may have the authority to study issues like this, Western should conduct a legal review of the practicality of any draft recommendations prior to submitting them to the Secretary. If that determines congressional legislation is required, Western should delay further action until it has consulted with its customers about the advisability of pursuing required congressional legislation and ultimately reach agreement with its customers on a course of action.

As we said last August, Western and the other PMAs can and should explore ways to better coordinate with their customers and neighboring systems. We appreciate Western's willingness to have a dialogue with its customers through the seminars and briefings over the last year. However, much more needs to be done to ensure that whatever comments are submitted to Secretary Chu are in the best interest of Western, its statutory responsibilities, and its ongoing mission to serve its customers.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Egg".

Mike Egg
Sr. VP Communications and Administration

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