



January 22, 2013

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

Dear Ms. Decker:

The Mid-West Electric Consumers Association appreciates the opportunity to comment on the Draft Recommendations of the Joint Outreach Team (“JOT”), as noticed in the Federal Register (Vol. 77, No. 224, November 20, 2012, p. 69619).

The Mid-West Electric Consumers Association was founded in 1958 as the regional coalition of over 300 consumer-owned utilities (rural electric cooperatives, public power districts, and municipal electric utilities) that purchase hydropower generated at federal multi-purpose projects in the Missouri River basin under the Pick-Sloan Missouri Basin Program (Montana, North Dakota, South Dakota, Wyoming, Colorado, Nebraska, Kansas, Iowa, and Minnesota).

The proposed recommendations of the JOT sprang from a March 16, 2012 memorandum from Department of Energy Secretary Steven Chu, which outlined a broad series of initiatives for the federal Power Marketing Administrations (“PMAs”) to undertake. That began a curious process to flesh out the substance of the Secretary’s outlined initiatives. Curious, because we have never experienced the secretive and one-way process undertaken by JOT. The Western Area Power Administration’s (“Western” or “WAPA”) customers have worked collaboratively with Western since its creation to ensure the reliable delivery of federal power to preference entities. The dialogues with Western have resulted in programs that meet both Western’s and its customers’ needs.

At the conclusion of the Listening Sessions, JOT defined a Mission, Vision, Goals and Guiding Principles for continuation of its work. The Mission identified by the JOT is twofold: to “. . . ensure the viability, sustainability, and resiliency of Western to continue to meet its core mission and respond to the energy challenges of the 21st Century.” However, the JOT recommendations focus almost exclusively on “respond[ing] to the energy challenges of the 21st Century.

The Western Area Power Administration was established to market and deliver hydropower generated at federal multipurpose projects to preference entities at the lowest possible rate consistent with sound business principles. Formation of Western stitched together multipurpose projects developed by the U.S. Bureau of Reclamation (“Reclamation”), and, in the case of Pick-Sloan, the U.S. Army Corps of Engineers (“Corps”) under Western’s umbrella, transferring the power marketing function from Reclamation to the newly formed Western Area Power Administration.

Since its inception, Western has taken on or been given additional responsibilities. The two most recent examples are the Transmission Infrastructure Program (“TIP”) and section 1222 of EPAct 2005. Neither of these programs is related to Western’s core mission. Consequently, Western’s customers worked to ensure that they would not bear additional costs in implementation of these initiatives. Customers feel much the same way about the JOT recommendations not related to Western’s core mission.

The challenges of the second mission – meeting the energy challenges of the 21st Century – do not necessarily bear upon Western’s core mission. So, Western’s customers are understandably skeptical about the value of these initiatives to them; and concerned about additional costs being included in their power rates or the possibility that staff will be focusing on JOT recommendations at the expense of fulfilling core mission responsibilities. ***Given the scope of the Draft Recommendations, Mid-West thinks that the JOT should include cost estimates and budget impacts for each of the Draft Recommendations in its report to the Secretary.***

We appreciate the Mission, Vision, Goals, and Guiding Principles developed by JOT, but those statements must be proven with deeds. The process used to develop information for JOT’s consideration does not appear to be consonant with JOT’s Guiding Principle, “Conduct an open and transparent process.” The Listening Sessions provided customers with only two minutes to make known their views, hardly sufficient time to fully inform the JOT. There was no dialogue between the JOT and Western’s customers during the Listening Sessions. JOT members were not to discuss issues with customers or even with their managers.

Finally, the JOT report on the Listening Sessions did not weight comments received. The overwhelming response in the Listening Sessions was that the Secretary’s memorandum did not appreciate the scope of activities Western has already undertaken in many of the issue areas identified by the Secretary.

That process sparked deep concern among Western’s preference customers and more than a little suspicion of what the JOT’s real agenda was. Continued discussions and JOT’s outreach during this comment period have help to mitigate some of that concern, but there is still doubt about what the Department of Energy, at least, intends.

The first JOT Goal was “Support engagement with Western, DOE, and stakeholders.” Mid-West views federal power preference customers as something greater than “stakeholders.” To lump preference entities with other stakeholders (as the JOT has done) fails to recognize the important role Western’s preference customers have played and continue to play in ensuring Western’s success. Western preference entities have more than a passing interest in Western’s success and bear the financial responsibility for Western’s transmission and marketing of federal hydropower. Throughout Western’s marketing areas, preference entities have stepped forward to provide funds to ensure needed upgrades and replacements are made. That kind of involvement and commitment is more than that of a “stakeholder.”

This is particularly important in JOT’s analysis of comments. It is one thing for an entity that is financially responsible for Western’s activities to make a recommendation or comment, and quite another for an entity with nothing other than their idea at stake and no financial responsibility to make a suggestion.

The second JOT Goal was “Ensure that JOT’s efforts are complementary with any ongoing parallel efforts both internal and external to Western.” As JOT learned, much of what the Secretary proposed is already the subject of investigation and analysis by Western. ***To assist the Secretary in his deliberations over which proposals Western should explore further, Mid-West suggests that each JOT recommendation start with a listing and brief explanation of Western’s ongoing efforts.***

It’s also important to remember that the Secretary’s memorandum and JOT’s Draft Recommendations are a snapshot in time. The Federal Energy Regulatory Commission, North American Electric Reliability Corporation, Congress, and the Administration all continue to develop new policy concepts and initiatives in the changing electric utility industry. Thus, JOT recommendations should not be looking to lock in on one path, but provide Western with the flexibility to respond to a rapidly changing industry.

The Guiding Principles for JOT’s Draft Recommendations states, “Remember the unique attributes of the regions.” Yet, again, the recommendations appear to be going in the opposite direction. The Draft Recommendations include initiatives looking to centralize and standardize a variety of practices ranging from rate setting to Integrated Resource Planning (“IRP”) requirements. The JOT Draft Recommendations mention “Western-wide” more than one time.

JOT should reconsider the extent to which consolidation/centralization is desirable in light of its commitment to respecting regional differences. For example, JOT recommends that Western should evaluate its Energy Planning and Management Program (“EPAMP”) IRP guidelines and processes “to ensure Western-wide uniformity . . .” To what end? What are the current deficiencies in Western’s administration of the EPAMP IRPs? Are current deficiencies adversely affecting the program?

JOT must remember that Western is not an all requirements power supplier to its customers. The federal hydropower that Western markets is an important part of our members' resource mix, but it is only a part. Western's preference customers have reporting responsibilities to their Joint Action Agency/G&T's, NERC, FERC, and state utility commissions in some cases.

Another Guiding Principle is "Consider limitations to Western's authority and address as appropriate." Western's statutory responsibilities and restrictions is an area that the JOT has refused to confront throughout the process, despite numerous and repeated customer admonitions to do so. JOT recommendations such as a Western-wide transmission rate fly in the face of Western's statutory obligations. Mid-West does not question Western authority to study issues, but implementation is a far different matter. ***To facilitate the Secretary's selection of initiatives, the JOT should conduct a legal review of implementation of its recommendations. Those recommendations that would require legislation should be deferred until Western has consulted with affected customers and reached agreement on a course of action.***

Mid-West appreciates the Joint Outreach Team's efforts in carrying forward Secretary Chu's memorandum. We look forward to the Secretary's decision and are committed to working with the Western Area Power Administration to fashion programs that work for both Western and its customers.

Thank you.

Sincerely,



Thomas P. Graves
Executive Director