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February 22, 2008

Jim Keselburg  
Western Area Power Administration – Rocky Mountain Region  
P.O. Box 3700  
Loveland, CO. 80539-3700

Dear Jim:

This letter is being sent regarding your recent request for WAPA customer input about the proposed WAPA Operation Center Consolidation presented on February 14, 2008 in Loveland. While no MEAN staff was able to attend in person due to local weather conditions, we were able to take part for a portion of the meeting via conference call line.

Let me start by saying that MEAN and our 66 members, most with WAPA allocations, appreciate the opportunity to provide you with comment on this important matter. MEAN is a small municipal joint action agency that supplies total requirement wholesale energy supply to 66 members throughout Iowa, Nebraska, Colorado, and Wyoming. A map of our current membership is attached for your reference.

Regarding the specifics of the information presented at the customer meeting in Loveland, MEAN would like to provide the following comments:

1. While it is clear that WAPA staff and management have dedicated a region-wide effort to evaluate the best possible option, the information provided at the customer meetings simply did not provide us with enough cost/benefit analysis to assist us in determining which outcome makes the most long-term sense for both WAPA and its customers. In order to provide truly material input to your options, more details are necessary.
2. While we understand that the regulatory compliance requirements of WAPA's balancing authorities and control centers continue to be more challenging, we fail to see how options C (RMR, DSW back each other up, change in annual costs from existing structure increases by \$1.8M, change in one-time costs from existing structure increases by \$6.6M) and D (RMR and DSW consolidated, change in annual costs from existing structure increases by \$1.2M, change in one-

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time costs from existing structure increases by \$6.6M) on slide 20 of your presentation merit further review. Unless our simple analysis is incorrect, option C saves \$100,000 per year over option B yet costs \$6.9 M to implement. A simple pay back analysis of this option nets almost a 65-70 year payback. This is an option that we would immediately screen out of our analysis

In the case of option D, this payback exceeds 9 years. This is still not an attractive difference to cost justify such a change within our organization. If WAPA feels there are other intrinsic or future savings to either option, these should be further quantified and reviewed with the customers.

3. While the consolidation of balancing authorities seems on the surface to reduce costs and allow for more ancillary resource sharing between areas, this can only be done if there is available transmission capacity to transfer such resources between balancing authorities. Such existing constraints as TOI 2A, TOT 3 and TOT 5 would likely limit the true operational benefit of any "paper analysis" of such resource options. This should be carefully considered.
4. While the concept of having one joint staff to serve a larger pool of customers sounds more cost effective, the customer cost should also be considered. As you know, MEAN has had a long standing and very positive relationship with the WAPA-RMR operations group, yet we worry that the level of service in these dynamic times will suffer when there is a greater group of customers to be served by staff that has limited operation knowledge of these new areas.
5. With all our comments in this letter considered, we feel that offering WAPA customers two weeks to comment until February 29, 2008 is simply far too short of a period to provide any meaningful dialogue. We feel it's essential for WAPA to inform, educate, and obtain concurrence from the very customers that will be impacted the greatest by these changes. MEAN suggests that WAPA extend the proposed review period and plan to meet with the customers at least one more time to review the findings, definitely provide a timeline of the proposed transition and address our concerns before any actions are taken by WAPA on this plan.

Once again Jim, MEAN very much appreciates all of the efforts of you and the entire WAPA staff in this matter and the opportunity to provide comment. We look forward to working further with you on this important matter

Sincerely,



Kevin Gaden  
Director of Energy Supply  
Municipal Energy Agency of Nebraska

Basin  
 Gillette

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12/13/07  
 66 Participants

# MEAN

## Municipal Energy Agency of Nebraska

Participants



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\*ARPA = Arkansas River Power Authority. Members of ARPA include the cities of: Holly, La Junta, Lamar, Las Animas, Springfield and Trinidad, Colo. and Raton, N.M.