CITY OF MELROSE

225 1st St NE
Melrose, Minnesota 56352

Phone 320 · 256 · 4278
Fax 320 · 256 · 7766
e-mail: admin@cityofmelrose.com
website: www.cityofmelrose.com

Logged

April 22, 2011

Mr. Robert J. Harris, Regional Manager
Upper Great Plains Region
Western Area Power Administration
2900 4th Avenue North
Billings, MT 59101-1226

RE: Comments on the Pick-Sloan Missouri Basin Program-Eastern Division-2021 Power Marketing Initiative Proposal (2021 PMI) as published in the *Federal Register* dated March 4, 2011.

Dear Mr. Harris,

Thank you for the opportunity to provide comments on the Western Area Power Administration's (Western) 2021 PMI.

The City of Melrose Public Utilities is an electric, water and wastewater utility distributing utility service to its 1,600 residential business and industrial customers in Melrose, Minnesota. Hydroelectric Power and Energy from the facilities on the Missouri River supply 31% of our community's electrical needs. The base portion of our power supply is provided by Western while the supplemental portion is provided by Missouri River Energy Services, a joint-action agency located in Sioux Falls, SD. Western's firm power supply program is of significant importance to our community since it provides a reliable, economical and environmentally-friendly source of electricity.

Generally speaking, Melrose supports Western's 2021 PMI proposal as outlined by the Federal Register Notice (FRN). The community offers the following comments as further support for the proposal.

The Amended Marketing Plan Principles

Contract Term: The community does support Western's proposed 30 year contract term but would recommend Western consider a 40 year contract term. Long contract terms provide more resource certainty for our community. More resource certainty provides customers with better financial planning to control power supply costs. Since Western has built in flexibility through resource pools and withdrawal provisions for longer term contracts, a 40 year term is a reasonable term.

Resource Pools: The community supports Western's proposed resource pool of up to one percent of the marketable resource under contract for eligible new preference entities, as they are currently defined by statute, every 10 years (Maximum of 3% over 30 year contract). Based upon Western's experience in the Energy Planning and Management Program (EPAMP), the number of applications and allocations for the resource pool has reduced over the years. Limiting the resource pool to up to one percent every ten years helps provide for better utilization of resources with existing preference customers while providing Western with a more stable revenue source to help recover the costs of the preference power program.

The Extended Marketing Plan Principles

Marketable Area: The current marketing area for existing resources should also be the marketing area for the 2021 PMI. Expanding the boundaries of the marketing area could impact the amount of future investment required which would come at higher cost to the program.

Marketable Resource: The community supports Western's extension of the existing contract rate of delivery (CROD). This would continue to provide a similar level of benefit to the community. It also benefits Western's program by providing a more stable revenue source for the program instead of depending on the market to always meet revenue requirements.

Withdrawal Provisions: The community understands that due to the hydrologic nature of the resource coupled with the length of contract term, Western needs some flexibility to manage the program. The community supports a possible adjustment of the CROD due to hydrology and river operations upon five years notice and after a thorough public process is conducted by Western.

Marketing Future Resources: The community understands that there may be times when additional power resources may be available for various reasons. The community asks that Western consider offering the power to the existing customers who contributed to the resource pool prior to making the offer to new customers or perhaps using these resources to support existing CRODS to existing preference customers.

The community is thankful for its working relationship with Western. This program has been the basis for providing affordable, cost-based electricity to the citizens in the community. We look forward to our continued discussions with Western on the 2021 PMI.

Sincerely,

Lyle Olmscheid

Lyle Olmscheid, Chair
Melrose Public Utilities Commission

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