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April 29, 2011

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

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.

Missouri River Energy Services (MRES) is a joint action agency that provides electric energy and services to 60 communities that own and operate electric systems in the states of Minnesota, Iowa, North Dakota, and South Dakota. Fifty-nine of 60 MRES members receive hydro power from Western. A power supply contract exists between each municipality and Western through 2020. Each municipality has a demand and energy allocation from Western which represents 25 percent to 90 percent of the municipality's total power supply. In aggregate, these municipalities represent over 20 percent of Western's Upper Great Plains Region firm allocations. Thus any action that Western undertakes has a direct impact on most of our members and the customers they serve.

Overall, MRES supports Western's 2021 PMI proposal to extend the existing marketing plan principles along with the amendments to the Contract Term and Resource Pool principles. MRES provides the following comments on the Federal Register Notice (FRN) in regards to the 2021 PMI:

The Amended Marketing Plan Principles: Contract Term and Resource Pools

Contract Term: MRES does support Western's proposed 30 year contract term but would recommend Western consider a 40 year contract term. The preference customers that MRES represents desire longer term resource contracts in order to provide more resource certainty. More resource certainty provides customers with better financial planning to control power supply costs. Thirty year contracts are typically a minimum length that preference customers ask for when dealing with supplemental power suppliers in

the UGP region. Since Western has built in flexibility through resource pools and withdrawal provisions for longer term contracts, a 40 year term is a reasonable term and a fundamentally sound utility practice.

Resource Pools: MRES 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 three percent over the 30 year period). Based upon Western's experience in the Energy Planning and Management Program (EPAMP), the number of applications and allocations has reduced over the years. In fact, one municipal returned the Post 2000 allocations back to the pool. Full utilization of resources with existing preference customers provides 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, established in 1953 and confirmed in subsequent public processes, 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: If the use of current modeling principles supports extending the existing contract rates of delivery (CROD), MRES supports Western's extension of the existing CROD. Although there will be times when existing resources will not be sufficient to meet CROD's, over the long term, it is prudent to market to existing CROD levels. This provides a more stable revenue source for the program instead of depending on the market to always meet revenue requirements. If Western utilizes the same withdrawal provisions in the 2021 PMI contract, this would provide a 'safety valve' to adjust CRODs if there is conclusive evidence to make such adjustments.

Withdrawal Provisions: MRES understands that due to the hydrologic nature of the resource coupled with the length contract term, Western needs some flexibility to manage the program. MRES 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. It is our understanding that such limitations and withdrawal provisions are the exception and not the rule.

Marketing Future Resources: MRES understands that there may be times when additional power resources may be available for various reasons. According to 10 CFR 905.32(e), any additional power would first be offered to new customers before existing customers that contributed to the resource pool. MRES asks that Western consider the following: before new customers are offered the power, the existing customers who contributed to the resource pool have that opportunity prior to new customers. Or, an increased amount of future resources (i.e. potential future efficiency gains in upgraded generation equipment) could be used to help support marketing at the existing CROD to existing customers.

Summary

MRES is proud of Western's history in providing clean, reliable cost based power and energy from Federal hydropower resources to its customers. This system has been the basis for providing affordable electricity to the citizens in the Northern Plains region. MRES values its working relationship with Western and looks forward to working with MRES members and Western on the 2021 PMI.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff M. Peters". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jeff M. Peters