

July 29, 2011

Ms. Julia L. Kriss
Colorado River Storage Project
CRSP Management Center
150 East Social Hall Avenue
Suite 300
Salt Lake City, UT 84111-1580

Dear Ms. Kriss:

The Mid-West Electric Consumers Association appreciates the opportunity to comment on the Western Area Power Administration's proposed revision to its "Principles for Integrated Resource Planning for Use in Resource Acquisition and Transmission Planning" as published in the June 29, 2011 Federal Register (pp. 38146-48)("FRN").

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.

In its FRN, Western states that ". . . Western believes developing evaluation criteria and procedures that will be used for future resource acquisition represents prudent planning." In discussing the proposal at Western's July 21 meeting, Western indicated that the proposed changes were necessary "to meet today's needs."

Mid-West appreciates Western's efforts to be forward looking, but finds no explanation for what "today's needs" are or how they differ from the needs in 1995 when Western completed its IRP process. Furthermore, Western has never made a long term resource acquisition since publishing the IRP Final Rule. So, Mid-West asks, what are the changed circumstances and justifications for the proposed changes in Western's IRP process for long term acquisition?

Mid-West does not think that evaluation criteria should be developed on a Western-wide basis. Marketing areas of Western are quite different with differing statutory authorities, differing mixes of available resources, and differing transmission systems and capabilities.

Western's Regional Offices have demonstrated that they have the detailed knowledge of their respective power system, customers, and resources necessary to implement this sort of program expeditiously and effectively. In development of the Glen Canyon power replacement process, Western's Regional Office and its Colorado River Storage Project ("CRSP") customers reached a solution that met the needs of affected customers without unnecessarily involving customers from other regions.

In the Pick-Sloan Missouri Basin Program, Western's firm power customers were confronted not with a mandated reduction in generation, but by extended drought. Since the drought was not a permanent condition, Western made purchases on the market to meet its contractual obligations. Pick-Sloan customers worked with Western's regional offices (Upper Great Plains and Rocky Mountain Region) to develop the "Drought Adder," to ensure timely repayment of purchase power costs during the drought.

Why does Western need to acquire long term resources? Western's June 29, 2011 FRN cites "unavailability of generation from Federal hydropower facilities or lost generation attributable to drought conditions." In the case of "unavailability of generation" – whether due to legislative, environmental mandates or long term loss of generators (due to accident, etc.), those needs are best *defined and met* by Western's Regional Offices, as has been noted above.

Mid-West does not see how Western could make long term purchases in the case of droughts. In its original IRP proposal as published in the December 6, 1994 Federal Register (pp. 62724-26), Western acknowledged this, stating, "Normally, formal principles *would not be applied to unpredictable seasonal purchases* . . . [emphasis added]" The June 29, 2011 FRN backtracks from that statement, noting that Western could seek long term acquisitions " . . . due to . . . lost generation attributable to drought conditions."

Mid-West and its members have had more than a little experience with droughts. One of the salient characteristics of a drought is its unpredictability. How does Western propose to make *long* term purchases – greater than five years – for such unpredictable events without exposing its customers to the likelihood of bearing the cost of unneeded generation? A principal statutory mandate directs Western to market power "...at the lowest possible rates to consumers consistent with sound business principles, ..." The last two droughts in the Pick-Sloan Missouri Basin Program ended with enormous runoff and accompanying generation, some of which was either unable to be marketed or sold at prices below the cost of production. Because of the inherently unpredictable nature of drought, Mid-West does not believe that Western unilaterally making long term resource acquisitions for droughts is a sound business principle.

Mid-West is mystified how Western could implement demand-side programs. Western's Regional Offices market a finite resource at wholesale. Western is not responsible for meeting load growth of its firm power customers. Western does not

serve retail load, so how does Western propose to implement demand-side management? Mid-West's members who do serve retail load implemented (on their own) extensive demand-side management programs. Mid-West suggests references to demand-side management be dropped.

The evaluation criteria Western proposes are broad brush strokes. The FRN provides no information on how evaluation criteria would be used or ranked. Four of the evaluation criteria are new: renewable energy resource, transmission availability, transmission losses, and Indian preference. Mid-West suggests that the "diversity" requirement would include adequate consideration of renewable energy resources. So, a separate criterion for renewable resources is unnecessary. As you know, Mid-West's members and Western's customers use extensive renewable resources (beyond their renewable hydropower) in addition to wind and other measures.

Mid-West's members need further definition of the process for using evaluation criteria before they could make an assessment of the criteria's value.

Mid-West urges Western to consider a more complete presentation of its proposal and further discussions with customers before proceeding further.

Mid-West appreciates Western's consideration of these comments.

Sincerely,

Thomas P. Graves
Executive Director