



July 7, 2010

Honorable Nancy Pelosi
Speaker of the House of Representatives
Washington, DC 20515

Dear Madam Speaker:

Section 2606 of the Energy Policy Act of 1992, as amended by Section 503 (a) of the Energy Policy Act of 2005 (P.L. 109-58), requires that the Secretaries of the Interior, Energy, and the Army jointly conduct a study assessing the cost and feasibility of a demonstration project that uses wind energy generated by Indian tribes and hydropower generated by the Army Corps of Engineers on the Missouri River to supply supplemental power to the Western Area Power Administration (Western).

The enclosed report, which complies with that requirement, was produced jointly by our Departments with the cooperation and input of the project study team. As directed by the legislation, the study team included independent tribal engineers and customers of Western. The study team also included representatives from the Inter-tribal Council on Utility Policy and the National Renewable Energy Laboratory.

The study identified and examined historical purchase power requirements for Western, the wind resource development potential on tribal lands, the impacts of long-term integration of wind and the resulting cost/benefit of wind integration as related to Western's load serving obligation. Key to the study conclusions and recommendations is the dynamic nature of the primary assumptions used to complete the study, which include transmission system availability and improvements, facility development, market pricing, hydrologic conditions, and the 30-year period of analysis under a carbon-penalized energy market.

This report supports four recommendations: 1) a demonstration project, if authorized and funded, be of no more than 50-MW nameplate capacity in size; 2) any costs of the demonstration project beyond what Western would have normally paid for like energy should not be borne by Western's ratepayers; 3) additional study is necessary to refine the economic saturation point for wind energy to provide supplemental power for Western; and 4) conduct a quantitative assessment of the costs of increased wind integration on U.S. Army Corps of Engineers and Bureau of Reclamation facilities.

The development of any demonstration project would be subject to appropriate review under the National Environmental Policy Act and would comply with all other applicable federal laws.

Again, we are pleased to present this report and ask that you contact us if you have additional questions or comments.

Sincerely,



Anne J. Castle
Assistant Secretary
Water and Science
Department of the Interior



Jo Ellen Darcy
Assistant Secretary
for Civil Works
Department of the Army



Timothy J. Meeks
Administrator
Western Area Power
Administration

Enclosure

cc:

The Honorable Henry Waxman
Chairman, House Energy and Commerce Committee

The Honorable Joe Barton
Ranking Member, House Energy and Commerce Committee

The Honorable Nick J. Rahall, II
Chairman, House Natural Resources Committee

The Honorable Doc Hastings
Ranking Member, House Natural Resources Committee

The Honorable Grace Napolitano
Chairwoman, Subcommittee on Water and Power
House Natural Resources Committee

The Honorable Tom McClintock
Ranking Member, Subcommittee on Water and Power
House Natural Resources Committee