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## SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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April 3, 2009

Transmission Infrastructure Program  
Western Area Power Administration  
P.O. Box 281213  
Lakewood, CO 80228-8213

**RE: Comments of the South Dakota Public Utilities Commission on the Western Area Power Administration ("Western") proposed Transmission Infrastructure Program**

Dear Western:

The South Dakota Public Utilities Commission ("SD PUC") submits these comments in response to Western's Notice of Proposed Program ("Notice") concerning its Transmission Infrastructure Program ("TIP" or "Program"). We would first of all like to note that both the public power sector in South Dakota and the Upper Great Plains and the investor-owned utilities regulated by the SD PUC have long enjoyed a cooperative relationship with Western that has served our citizens well.

The SD PUC expresses its support for the Program and for what Western has been able to accomplish so far under the pressing time constraints imposed on all of us by the stimulus purposes of the Recovery Act. Western's historical mission has been to deliver renewable energy - hydropower from federal hydro facilities such as the four Missouri River mainstem dams in South Dakota - to the citizens of the West and Midwest. It is a logical and natural extension of this mission for Western to play an important role in enabling the next generation of large-scale renewable energy development and delivery.

The Dakotas are home to some of the best wind resources in the world. The SD PUC, like the citizens of South Dakota and their other elected state representatives, has consistently supported the responsible development of this resource, both for the economy of this state and for the well-being of the nation and the environment. With the President and the Congress having announced policies to aggressively transition America's energy mix over to renewable resources, the SD PUC believes that the resources of South Dakota and the Northern Plains region will have a very important contribution to make in achieving this objective. The construction of robust transmission facilities to move renewable generation to load centers is critical if this policy is to be transformed from commendable intention into concrete reality. The SD PUC welcomes the contribution that Western's Program can make.

In keeping with Western's history of cooperatively working with state agencies, including state public utility commissions, on facility siting and project development, the SD PUC wishes to join with the other states in Western's service territory in urging Western to give state commissions a meaningful role in the planning and selection process. State commissions are the agencies ultimately accountable to the electric consumers and electorates of our several states. This is what we do. In this role, the SD PUC is an active member of the Organization of MISO States and the Upper Midwest Transmission Development Initiative. As Western well knows as a major balancing authority operator, the electric generation and transmission system is inherently an interdependent system. The reliability and cost consequences of transmission decisions do not respect state boundaries and will ultimately be borne by the constituents whom we, as Commissioners, have been elected or appointed to represent and to whom we are accountable. The SD PUC accordingly requests that Western's planning and approval process for the Program include the active participation of state commissions and regional transmission and reliability organizations in Western's service territory.

The SD PUC offers the following additional comments on the proposed Program. First, we urge Western to give thought to the timing of the Request for Interest ("RFI") process. We understand "shovel ready" and the time pressures that the stimulus purposes of the Recovery Act impose on Western. Nevertheless, the SD PUC believes that in systems as complex and interdependent as the Eastern and Western Interconnections, it is important to get it right – both to ensure that the investments funded by the program achieve the maximum bang for the buck and also to ensure that the secondary consequences of such investments, including reliability, operational and cost effects, both direct and indirect, are thoroughly vetted. In the case of large-scale renewable energy inputs from resources such as wind generation, secondary effects such as system regulation and ancillary service demands can take on a different scale of significance than are presented by legacy resources. We urge Western to consider whether the RFI process ought to either be extended for a short time, until after the Program process and substantive details have been finalized, or leave open the opportunity for a second round of proposals that either emerge from the planning process itself or from interested persons in response to what the planning process may reveal.

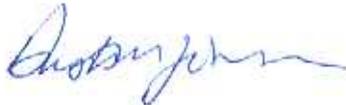
Second, the SD PUC urges Western to carefully consider cost allocation, including the identification of and responsibility for indirect costs of TIP projects, such as those on existing users of the Integrated System. We recognize that the Recovery Act imposes certain requirements on Western regarding repayment of TIP loans. We nevertheless urge Western to be mindful that implementing an aggressive national renewable energy policy poses challenges distinct from the narrowly focused and largely incremental improvements dictated by the traditional generation and transmission system itself. Recent bills introduced in Congress recognize this through consideration, for the first time, of the appropriateness of measures such as interconnection-wide cost sharing for projects designed to achieve a national renewable energy policy objective as opposed to, for example, resolving a nodal constraint. We urge Western to give careful consideration to these issues after allowing for input from affected state commissions, utilities and regional transmission organizations and planning entities.

Finally, we would ask that Western give consideration to regional equity in its decisions regarding TIP project approval. Western's territory covers a diversity of geographic and demographic areas, each with its own set of issues regarding the need for, and consequences of, transmission improvements. The region includes some of the most heavily populated areas in the nation, several of the wealthiest communities in the nation and large tracts of sparse population and resulting lengthy transmission spans in areas such as the Dakotas. It is important that we all have an opportunity to share in the benefits from the investments to be made from the TIP funds. In particular, the SD PUC would note the special challenges attending the provision of access to the transmission system to accommodate the renewable resource potential of tribal lands located in South Dakota and other states in the region and the important role that Western has played, and can play with TIP projects, to open up that potential for the benefit of our Native American peoples.

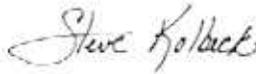
We thank Western for the opportunity to comment, and we look forward to working cooperatively with Western as we enter this new and exciting chapter in our Nation's future.

Sincerely,

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION



Dustin Johnson  
Chairman



Steve Kolbeck  
Commissioner



Gary Hanson  
Commissioner