

Rec'd 8/10/11

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RE: 2021 Power Marketing Initiative

Dear Jody and John,

I would like to offer several comments based on the 2021 PMI meeting in Sioux Falls, 12-1-2010. First of all, meetings like these are extremely helpful for Utility Managers like myself, to get a real understanding of the PMI process as it moves forward. I had previously spent numerous hours considering what a post-2020 Western contract would look like and while I had anticipated significant modifications based on an ever changing Electric Industry, I'm surprised as to how closely the initial draft might look to the contract that is currently in effect. I had thought the term might decrease because of all the uncertainties out there but the initial term being proposed is 30 years. That should help with long range planning and rate stability for the Windom Municipal Electric Utility.

One concern from Wednesday's meeting was the lack of dialogue about drought debt repayment and the impact that it has on current Western membership's wholesale costs. It would seem critical that the post-2020 marketing plan (contract) would have to better address risk involved in drought conditions and replacement purchased power generated debt. If the presentation on utilizing a 5-year forecast of lower decile/quartile runoff by Mike Radecki, answers those questions for Western that would be good, but I would disagree that the current plan in effect that generated around a \$1 billion in drought debt was celebratory.

My second concern is, while not taking issue with the 1% CROD reductions in 2021, 2031, and 2041, impact of an additional [up to 5%] reduction for new project use or changes in hydrology and river operations would have a huge impact to Western customer's wholesale costs and electric retail rates. Knowing that it is in the current contract and is being carried forward to the next one seems understandable but I would suggest that if an additional [up to 5%] reduction was actually implemented at some point during the term of the next 30 year contract, and if Western would have new

projects, improvements or power resources that would increase overall capacity output, the **[up to 5%]** reduction would get revisited before anything else and that new capacity would be used to offset those reductions until the **[up to 5%]** reduction was replenished for the current Western firm customers.

The other concern isn't an issue for Windom but, for the New Ulm(s) of the world, it doesn't make sense to me, if having resource pools available for new membership [is important], that once an entity becomes a customer of Western (New Ulm) with an incremental amount of capacity and energy assigned to that Utility, they no longer have any ability to increase that amount because the resource pools are only for **new** membership. They would essentially be locked in at that initial small amount. Obviously Windom doesn't want to see reductions in firm capacity and energy, but **strictly** limiting resource pools to only **new** entities might be to restrictive.

As always, Western's firm wholesale power supply has been a huge asset over the years for the Windom Utility and its retail customers. Tracy Thorne (our Area Western Representative) has been a valuable resource for me to draw upon and is always a welcomed visitor to our Utility. The Windom Municipal Utility looks forward to many, many more years as a firm customer of Western Area Power.

Respectfully submitted,

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