



West Plains Electric Cooperative Incorporated

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08/17/2007

Mr. Robert J. Harris
Regional Manager
Upper Great Plains Region
Western Area Power Administration
2900 4th Avenue North
Billings, MT 59101-1266

Re: Letter of Interest in an allocation of Federal power

Dear Mr. Harris:

This Letter of Interest is being submitted in response to the "Notice of request for letters of interest" for the Post-2010 Resource Pool, Pick-Sloan Missouri Basin Program—Eastern Division, issued by Administrator Timothy J. Meeks of the Western Area Power Administration ("Western") on May 30, 2007, and published in the Federal Register on June 25, 2007 (72 Fed. Reg. 34680).

Name of interested entity: West Plains Electric Cooperative, Inc. ("West Plains")

Geographic location of the entity: West Plains provides electric service to its members in the most southwestern part of North Dakota. Its headquarters are in Dickinson, North Dakota. Service is provided in all or parts of Stark, Dunn, Billings and Golden Valley Counties in southwestern North Dakota.

Suggested appropriate purposes of the resource pool: West Plains requests an allocation of its actual fair-share needs as an eligible new customer. West Plains' peak load is approximately 55 megawatts. If for any reason West Plains were found not to be an eligible new customer, it suggests that an appropriate purpose of the resource pool would be to nevertheless provide an allocation to West Plains of its actual fair-share needs, since West Plains is an eligible preference entity as defined in the Flood Control Act of 1944 that will be receiving neither an allocation of Western power nor any associated benefits of such power as of January 1, 2009 (if not earlier), as is summarized below.

West Plains is an eligible new customer:

- ✓ West Plains is a preference entity within the currently established marketing area for the Pick-Sloan Missouri Basin Program—Eastern Division Project. West Plains is a rural

- ✓ electric cooperative created pursuant to the laws of the State of North Dakota and thus, like all other preference entities within the marketing area, is entitled to preference in the sale of power and energy from the Project pursuant to Section 5 of the Flood Control Act of 1944. 16 U.S.C. § 825s. Its status as a preference entity is confirmed by the fact that for many years, West Plains had its own allocation from the Project. As is explained below, West Plains lost that allocation and will no longer be receiving any benefits from it after December 31, 2008, at the latest.
- ✓ West Plains affirms its commitment to execute a long-term contract. West Plains affirms its willingness to enter into a long-term firm power contract, which it understands will incorporate Western's standard provisions for power sales contracts, integrated resource planning and the general power contract provisions, including resale restrictions. In particular, West Plains understands that its allocation will be subject to future withdrawal in the same manner as for existing customers. West Plains also understands that its contract will expire on the same date as firm power contracts with all other customers of the Project.
- ✓ West Plains is a utility. West Plains meets the requirement of Section 905.35(c) of Western's regulations, in that it attained utility status about sixty years ago following its creation in 1946. Thus, it easily meets the requirement that utility status be attained no later than 3 years prior to availability of the incremental addition to the resource pool. 10 C.F.R. § 905.35(c).
- ✓ West Plains will not be currently receiving benefits, directly or indirectly, from a Pick-Sloan Missouri Basin Program—Eastern Division allocation or other firm Federal power commitment. As noted above, West Plains at one time had its own allocation of Western power, but that allocation has now been captured by Upper Missouri Generation and Transmission Electric Cooperative, Inc. of Sidney, Montana ("Upper Missouri"). West Plains was formerly a member of Upper Missouri, and in connection with becoming a member in 1972, was required to assign its allocation to Upper Missouri. Under the terms of a 2006 settlement agreement to end highly contentious litigation with Upper Missouri, West Plains ceased to be a member of Upper Missouri as of March 27, 2003. Upper Missouri retained the Western power allocation under the 1972 assignment agreement. As described in the settlement agreement, the transitional arrangement under which West Plains continues to purchase power from Upper Missouri and receives the economic benefit of its original Western power allocation will end no later than December 31, 2008. Therefore, by January 1, 2009, at the latest, West Plains will be an eligible new customer and will be receiving no benefits, directly or indirectly from the Pick-Sloan Missouri Basin Program—Eastern Division, or from any other Federal power commitment. (A copy of the January 17, 2006 settlement agreement is enclosed.)

West Plains is involved in discussions of a possible merger or consolidation with Oliver-Mercer Electric Cooperative, Inc., headquartered in Hazen, North Dakota. Oliver-Mercer has a firm power allocation from Western. Whether those discussions will come to fruition is unknown, but in any event, they do not contemplate that Oliver-Mercer would share any of the benefits of its existing allocation with West Plains or its members.

Rather, West Plains will be required to obtain its own allocation, if its members are to receive any benefits from Federal preference power.

Based on all of the foregoing, West Plains expects to apply at the appropriate time for an allocation from the Post-2010 Resource Pool to meet the actual fair-share needs of West Plains as an eligible new customer. Likely by the time its application is submitted, and certainly well before the time the Post-2010 Resource Pool becomes available, West Plains will be in the same situation as if it had never received an allocation of power from Western. A fair-share allocation to West Plains will therefore be fully consistent with the statutory requirement and Western's traditional approach of marketing allocations of firm power "in such manner [a] as to encourage the most widespread use thereof . . ." 16 U.S.C. § 825s; *see also* 68 Fed. Reg. 10,234 (March 4, 2003). Indeed, unless it receives an allocation from the Post-2010 Resource Pool, West Plains (and its members) will be one of the very few preference entities, if not the only one, within the marketing area that will not be receiving any benefits from Federal preference power.

There should be no concern that an allocation to West Plains will somehow result in a duplicate allocation, or a counting of the same load twice. First of all, West Plains' peak load at the time of its original allocation was on the order of 5 megawatts. Today, its peak load is approximately ten times as large, so 90+% of its current load was not even in existence when the original allocation was made. More fundamentally, because West Plains' original allocation has been captured by Upper Missouri, the prospects facing West Plains and its members are either to receive a Post-2010 Resource Pool allocation or to have no benefits from Federal preference power at all. By refusing West Plains' request to be allowed to retain its Western power allocation when its membership in Upper Missouri ceased, Upper Missouri and its remaining members have secured those benefits for themselves. West Plains is not suggesting that the amount of Upper Missouri's allocation be addressed in the context of Western's Post-2010 Resource Pool Allocation Procedures, but it should be clear that a fair-share allocation to West Plains, recognizing that in the past such resource pool allocations have been limited to 5 MW, cannot possibly result in an excessive allocation to West Plains and its members.

West Plains appreciates the opportunity to provide this Letter of Interest and to provide additional background information.

West Plains is a relatively small rural electric cooperative with a little over 3600 members and nearly 3000 miles of distribution and transmission lines serving southwestern North Dakota. Like most rural areas of our country, we are dealing with the devastating effects of out migration. One of the strongest assets our community and state have to combat this devastating trend is the rural electric cooperatives. As the number of members we serve in our rural areas decreases, our costs to serve them skyrocket. Western preference power is a vital mitigating factor to help keep our rates affordable for our members and for potential new residents and businesses.

The 2000 U.S. census showed all of us that out migration is a real threat to rural America. Small communities are disappearing, and the rural farmer is being pressured to leave the farm. West Plains is committed to doing its part to try to reverse this destructive trend. To help West Plains serve its members and to be an effective tool in the fight against out migration, we ask Western to consider our request and to include in the Post-2010 Resource Pool an adequate

amount of the long-term marketable resources to be able to meet West Plains' actual fair-share needs.

Again, we appreciate the opportunity to submit this letter of interest. Please let us know if additional information would be helpful.

Sincerely yours,

David Schelkoph
General Manager

DS:xx