



EAST RIVER

ELECTRIC POWER COOPERATIVE

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December 1, 2008

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
500 East Capitol
Pierre, SD 57504-5070

RE: East River Electric Power Cooperative – South Dakota Renewable Energy Objective Report

Dear Ms. Van Gerpen:

Enclosed please find East River Electric Power Cooperative's Renewable Energy Objective Report per SDCL 49-34A-105. This report is filed on behalf of the following members within South Dakota:

Bon Homme-Yankton Electric Association, Inc.
Central Electric Cooperative, Inc.
Charles Mix Electric Association, Inc.
City of Elk Point
Clay Union Electric Corporation
Codington-Clark Electric Cooperative, Inc.
Dakota Energy Cooperative, Inc.
Douglas Electric Cooperative, Inc.
FEM Electric Association, Inc.
Whetstone Valley Electric Cooperative, Inc.

H-D Electric Cooperative, Inc.
Kingsbury Electric Cooperative, Inc.
Lake Region Electric Association, Inc.
Northern Electric Cooperative, Inc.
Oahe Electric Cooperative, Inc.
Sioux Valley Energy
Southeastern Electric Cooperative, Inc.
Traverse Electric Cooperative, Inc.
Union County Electric Cooperative, Inc.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Robert K. Sahr
General Counsel

RKS/sl

Enc.



East River Electric Power Cooperative South Dakota Renewable Energy Objective Report December 1, 2008

In accordance with SDCL 49-34A-105, East River Electric Power Cooperative, Inc. (“East River”) files this Renewable Energy Objective Report on behalf of its nineteen South Dakota members:

East River South Dakota Members	Location
Bon Homme-Yankton Electric Association, Inc.	Tabor, South Dakota
Central Electric Cooperative, Inc.	Mitchell, South Dakota
Charles Mix Electric Association, Inc.	Lake Andes, South Dakota
City of Elk Point	Elk Point, South Dakota
Clay Union Electric Corporation	Vermillion, South Dakota
Codington-Clark Electric Cooperative, Inc.	Watertown, South Dakota
Dakota Energy Cooperative, Inc.	Huron, South Dakota
Douglas Electric Cooperative, Inc.	Armour, South Dakota
FEM Electric Association, Inc.	Ipswich, South Dakota
H-D Electric Cooperative, Inc.	Clear Lake, South Dakota
Kingsbury Electric Cooperative, Inc.	DeSmet, South Dakota
Lake Region Electric Association, Inc.	Webster, South Dakota
Northern Electric Cooperative, Inc.	Bath, South Dakota
Oahe Electric Cooperative, Inc.	Blunt, South Dakota
Sioux Valley Energy	Colman, South Dakota
Southeastern Electric Cooperative, Inc.	Marion, South Dakota
Traverse Electric Cooperative, Inc.	Wheaton, Minnesota
Union County Electric Cooperative, Inc.	Elk Point, South Dakota
Whetstone Valley Electric Cooperative, Inc.	Milbank, South Dakota

These East River members have elected to aggregate their REO resources and have East River report on their behalf.

I. OVERVIEW

The East River Board of Directors endorsed the concept of a South Dakota renewable energy objective in the summer of 2007. During the 2008 South Dakota Legislative Session, East River and the South Dakota Rural Electric Association supported HB 1123, the South Dakota Renewable and Recycled Energy Objective (“REO”) bill. The bill passed and became law on July 1, 2008, establishing a voluntary objective that 10% of all electricity sold at retail by 2015 be obtained from statutorily defined renewable or recycled energy resources.

The rural electric cooperatives in this region, including East River and its members, are on track to meet this goal. East River provides wholesale power to its members from two sources: 1. Western Area Power Administration (“Western”) through a fixed contract rate of delivery of

hydroelectric power and 2. Basin Electric Power Cooperative (“Basin”) through a supplemental wholesale power contract that provides all of the power needed above the fixed Western allocation. For purposes of calculating the REO, state law permits the deduction of existing hydroelectric power from the baseline total of retail sales. Accordingly for this filing, East River has subtracted Western hydroelectric deliveries.

With this adjustment, East River currently projects that approximately 4.6% of its members’ total retail sales, less Western power, may be attributed to qualifying renewable energy under the South Dakota REO. Exhibit 1 lists East River’s power sales to its individual members for the reporting period.

II. EAST RIVER’S RENEWABLE ENERGY PORTFOLIO

As member owners of Basin Electric, East River and its members possess a sizeable, diverse, and growing renewable energy portfolio. This portfolio includes large wind projects; small locally-owned wind projects; waste heat recovery units; solar power generation; and a methane digester with several more renewable energy projects, large and small, in the works.

1. Wind Energy Generation: 136 MW

We are proud of the rural electric cooperatives’ track record of promoting wind energy. These efforts include developing the first large commercial wind turbines in the state (PrairieWinds near Chamberlain); the state’s first large-scale wind farm (the Hyde County Wind Farm south of Highmore); and, recently, the state’s first Wind for Schools project (Sanborn Central School District) through a partnership with the South Dakota Public Utilities Commission, the National Renewable Energy Laboratory, and Central Electric Cooperative, Mitchell, South Dakota.

East River/Basin Electric’s wind energy generation includes (output and environmental attributes owned and controlled by East River or Basin Electric unless otherwise noted):

- Basin-owned wind turbines near Chamberlain, SD, 2.6 MW (connected to Central Electric, Mitchell, SD);
- Basin-owned wind turbines near Minot, ND, 2.6 MW;
- Florida Power and Light owned wind farm located near and Highmore, SD, 40 MW (connected to East River, Madison, SD);
- Florida Power and Light owned wind farm located near Edgeley, ND, 40 MW;
- Florida Power and Light owned wind farm located near Wilton, ND, 49.5 MW;
- Rosebud Sioux Tribe Wind Project in SD (attributes retained by owner), 0.75 MW;
- Pipestone School Wind Project at Pipestone, MN, 0.75 MW (connected to Sioux Valley Energy, Colman, SD);
- Oak Lane Colony Wind Project near Alexandria, SD, 0.16 MW (connected to Central Electric, Mitchell, SD);
- DeWaard Farm Wind near Armour, SD, 0.010 MW (connected to Douglas Electric, Armour, SD);
- Oak Tree Lodge Wind near Clark, SD, 0.028 MW (connected to Codington-Clark Electric, Watertown, SD);
- Sanborn Central Wind for Schools turbine, Forestburg, SD, 0.002 MW (connected to Central Electric, Mitchell, SD).

In the near future, we expect to more than double the current output from renewable wind energy. The cornerstone projects of this expansion will be:

- 120 MW in two related wind projects (planned for 2009 and 2010) near Minot, ND; and
- 150 MW wind farm with the preferred site near the Crow Lake area in South Dakota with construction beginning in spring 2010 and commissioning in late 2010 or early 2011.

In an exciting development for public power, Basin Electric members will not only receive the output from these wind farms, but Basin Electric, through subsidiaries, will also be the developer and owner of the projects.

In 2009 and 2010, East River and its members expect to expand the Wind for Schools program to other schools within their service areas. We thank the Commission for their leadership and support of the Wind for Schools program.

Taken together, these projects put into action the aggressive renewable energy goals voluntarily set by Basin Electric members including East River in 2005. Regardless of whether or not a state renewable energy objective or standard exists, Basin Electric and its members agreed to achieve 10% renewables by 2010. We are well on our way to this goal.

2. Recycled Energy Generation: 22 MW

Basin Electric receives the output from four Recycled Energy Generation (REG) power plants “fueled” by hot exhaust air produced by the Northern Border Pipeline compressor stations. These units are located as follows: one unit in North Dakota and three units in South Dakota, for a total generating capacity of about 22 MW. The three South Dakota locations are interconnected to East River’s transmission system enabling delivery to the region’s cooperatives served by Basin Electric.

Basin Electric is developing four more sites to be operational in 2009. These added installations in Montana, Minnesota, and North Dakota are expected to have a combined output of 22 MW, thereby doubling this renewable resource.

3. Methane Digesters: 475 kW

Renewable energy is received from the MidWest Dairy Institute (MDI), near Milbank, SD, 375 kW; and the Classic Farms Methane Digester, near Lake Andes, SD, 100 kW. Both MDI and Classic Farms retain the environmental attributes. East River member systems Whetstone Valley Electric, Milbank, SD, and Charles Mix Electric, Lake Andes, SD, respectively serve as the interconnection point for delivery of these resources.

4. Solar Generation: 2 kW

Crawford Solar, near Watertown, SD, produces an output of 2 kW (connected to Codington-Clark Electric, Watertown, SD).

5. Hydroelectric Resources:

While there sometimes is a split among public policymakers on whether to count existing hydroelectric power as a “renewable,” the hydroelectric generation from the Missouri River dam system is the largest renewable energy resource in this region. East River purchases approximately 24% of its bulk wholesale power from Western. Historically, the cooperatives played an important role in supporting the development of the multipurpose Missouri River main stem dam system. Over the decades and continuing through today, East River and its members fund the Missouri River generation and transmission facilities through electric and transmission rates. Although we do not include this renewable hydroelectric energy as either part of calculating our REO percentage, we highly value and firmly believe it is an essential renewable resource.

III. REO OBSTACLES ENCOUNTERED

1. Environmental Compliance

It appears future environmental reviews may take longer and be significantly more detailed and complex. This can hamper project development, delay new developments, and make projects more expensive.

East River supports streamlined federal and state oversight with sensibly defined timelines. While we believe all reasonable and appropriate reviews should take place, the process itself, without legitimate justification, should not make or break an otherwise commercially viable project.

Western and the U.S. Fish and Wildlife Service are currently conducting a federal Programmatic Environmental Impact Statement evaluating the environmental aspects of wind energy projects. If done correctly, this proceeding has the opportunity to provide a thorough and timely review of projects that will assist development. Or, the proceeding could hamper or eliminate wind energy development on the Upper Great Plains. East River and Basin Electric have provided comments to this effect. We also appreciate the thoughtful input of the South Dakota Public Utilities Commission and Governor’s Office in this matter.

2. Wind Energy Costs

During the past five years, the cost of wind projects has increased by roughly 220 percent and costs are expected to continue to rise.

3. Procurement of Wind Turbines

Most turbine manufacturers are sold out through 2009 and well into 2010. Some larger manufacturers are not willing to work with developers looking to purchase less than 100 MW of turbines.

4. Transmission

Basin and East River have successfully secured through use of existing facilities and the construction of new capacity transmission service in order to serve our consumer owners. For other developers, securing transmission resources remains unsettled due to ‘open access’ requirements which have not been resolved related to cost and reliability responsibilities.

5. State Renewable Energy Policies

Some states require that utilities “retire” renewable energy credits, or green tags, to demonstrate compliance with renewable energy objectives or renewable energy/portfolio standards. This policy increases the costs of renewable energy by eliminating the opportunity to utilize green tag sales to decrease project costs. Ultimately, consumers pay for loss of revenue through the increased cost of electricity.

South Dakota wisely did not include a retirement requirement in its 2008 REO law for utilities that build or contract for the output of renewable energy. We would encourage the State Legislature through statute, and the Commission through rules, to not impose a retirement obligation for REO compliance.

East River supports renewable energy trading markets—they reduce costs for consumers. East River supports voluntary renewable objectives—they are appropriate public policies and provide incentives for new projects. However, combining these two separate, and historically and economically distinct, policy goals, as other states have, only shortchanges the consumers. South Dakota got it right in 2008: the REO will spur renewable energy development and result in more renewable energy projects; allowing green tag sales for utilities that develop projects will reduce the cost to consumers.

This is a win-win state policy. Let’s keep it that way.

6. Suggestion for Administration of REO

- A. Do not require green tag sales. Not surprisingly after the discussion in the previous section, East River does not believe that state law requires green tag ‘retirement’ to comply with the REO.
- B. Reporting Period. The REO reporting period described as the “provider’s energy sales during the 12 month period ending on the preceding September thirtieth,” spans two operating years for East River and adds to administrative, and subsequently, our member consumers’ costs. We recommend modifying the reporting period to a calendar year. This proposed change likely would require legislative action.

EXHIBIT 1**EAST RIVER'S SOUTH DAKOTA SALES TO MEMBERS
(Excluding Hydro)**

The following table reflects the South Dakota MWH sales for the current reporting period.

TABLE 1	
COOPERATIVE	10/1/2007 to 9/30/2008 Energy MWHs
Bon Homme-Yankton Electric Association, Inc.	58,059
Central Electric Cooperative, Inc.	175,843
Charles Mix Electric Association, Inc.	41,556
City of Elk Point	14,968
Clay Union Electric Corporation	50,306
Codington-Clark Electric Cooperative, Inc.	74,862
Dakota Energy Cooperative, Inc.	94,433
Douglas Electric Cooperative, Inc.	17,757
FEM Electric Association, Inc.	65,007
H-D Electric Cooperative, Inc.	62,722
Kingsbury Electric Cooperative, Inc.	17,582
Lake Region Electric Association, Inc.	61,529
Northern Electric Cooperative, Inc.	200,131
Oahe Electric Cooperative, Inc.	57,694
Sioux Valley Energy	391,370
Southeastern Electric Cooperative, Inc.	334,405
Traverse Electric Cooperative, Inc.	21,090
Union County Electric Cooperative, Inc.	21,673
Whetstone Valley Electric Cooperative, Inc.	64,148
TOTAL SOUTH DAKOTA MEMBER SALES	1,825,135
Renewable Portion	83,956