

century. As a result, some of Otter Tail's transmission facilities are highly integrated with those of Central Power, with physical ownership of the transmission facilities being non-contiguous for both Otter Tail and Central Power. Therefore, when Central Power places its transmission facilities under the SPP Tariff, certain Otter Tail load will become isolated from the rest of the system controlled by the Midcontinent Independent System Operator, Inc. ("MISO"), of which Otter Tail is a transmission owning member. While Otter Tail does not protest Central Power's decision to become an SPP member, because of the uniquely interconnected nature of this jointly-owned system, Central Power and Otter Tail's facilities should not be divided into different Regional Transmission Organization ("RTO") regions absent adequate provisions to mitigate impacts on Otter Tail and its native load customers.

To avoid an unjust and unreasonable outcome, Otter Tail requests that the Commission: (1) determine that the Central Power Integration Filing is deficient, and that the proposed changes to the SPP OATT will not be allowed to become effective until at least 60 days after Central Power (or SPP) provides additional information demonstrating that the facilities identified by Central Power are eligible for rolled-in rate treatment; (2) condition the inclusion of Central Power's facilities under the SPP Tariff on a requirement that SPP and Central Power hold Otter Tail harmless from the operational and financial impacts of Central Power joining SPP; (3) direct SPP to allow Otter Tail to amend its Network Integration Transmission Service ("NITS") Agreement to reflect the outcome of this proceeding; and (4) grant any other relief as the Commission deems necessary to mitigate the impacts of Central Power's integration into SPP on Otter Tail and its native load customers.

I. COMMUNICATIONS

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II. MOTION TO INTERVENE

Otter Tail, a transmission owning member of MISO, owns and operates approximately 5,600 miles of transmission facilities, providing electricity to 422 communities in a 70,000 square mile territory spanning western Minnesota, northeastern South Dakota, and eastern North Dakota. As a transmission owning member of MISO whose transmission system is highly integrated with Central Power, the resolution of these proceedings could have a significant impact on Otter Tail and its native load customers. Otter Tail therefore has a direct and substantial interest in these proceedings that cannot be adequately represented by any other party. Accordingly, it is both appropriate and in the public interest that Otter Tail be permitted to intervene in these proceedings and be granted full party status.

III. BACKGROUND

A. Otter Tail-Central Power Integrated Transmission System

For over 100 years, Otter Tail has served the small towns that dot the rural landscape of North Dakota. These communities, often separated by large expanses of rural countryside, often represent loads of less than 1 megawatt (“MW”). In 1949, Central Power was organized to transmit power for its member rural electric distribution cooperatives: farms, homes, businesses, and pasture wells across the central and southeastern portion of North Dakota.

By 1949, Otter Tail had an established an extensive 41.6 kilovolt (“kV”) transmission backbone in what would become the common footprint of Otter Tail and Central Power. Neighboring utilities, Central Power and Otter Tail sought a way to avoid duplicating transmission development efforts and to capitalize on the economies of joint transmission development. The parties began collaborating in 1950. The result was an agreement, entered into by Central Power and Otter Tail in 1958, under which Central Power and Otter Tail agreed to jointly plan, develop, and construct transmission facilities. That agreement, which has been amended, supplemented, and extended many times over the past sixty-five years, is commonly referred to as the Integrated Transmission Agreement (“ITA”). Under the ITA, Central Power was allowed to tap into Otter Tail’s existing 41.6 kV transmission backbone. In turn, Central Power and Otter Tail collaborated to identify necessary transmission upgrades on an ongoing basis, and the parties were expected to contribute equally to the investment of new facilities within the ITS in proportion to their respective loads. The last time the ITA was extended—on June 17, 1986—the term was extended until December 31, 2015.

The result of this sixty-five year collaboration is a jointly-owned patchwork of transmission facilities and substations known as the Integrated Transmission System (“ITS”). Because of the requirement that the parties contribute equally to the construction of new facilities in the ITS, physical ownership of the transmission facilities is non-contiguous; Central Power and Otter Tail transmission substations are intermingled, and Central Power and Otter Tail each own separate Points of Delivery along the jointly-owned transmission system. As a result, ownership rights, usage rights, and functional control do not necessarily reside with a single entity for facilities within the ITS. For example, in many locations, Otter Tail owns the high voltage transmission lines, Central Power owns the transmission substation, and Otter Tail owns the low voltage 41.6 kV transmission facilities served by the transmission substation.

Currently, Otter Tail acts as Local Balancing Authority and transmission operator for not only the facilities owned by Otter Tail, but also the facilities owned by Central Power. The portion of the ITS jointly-owned by Otter Tail and Central Power consists of approximately 1,750 miles of transmission facilities, with approximately 1,500 miles of the total ITS transmission operated at 41.6 kV. The ITS serves approximately 40 percent of Otter Tail’s load in North Dakota.

B. IS Parties Integration Proceedings

On September 11, 2014, SPP proposed revisions to its OATT³ as well as its Bylaws and Membership Agreement⁴ to facilitate the integration of Western Area

³ Southwest Power Pool, Inc., Integrated System Open Access Transmission Tariff Revisions, Docket No. ER14-2850-000 (Sept. 11, 2014) (“SPP 2014 OATT Revisions”).

Power Administration - Upper Great Plains Region (“WAPA”), Basin Electric Power Cooperative (“Basin Electric”), and Heartland Consumers Power District (“Heartland”) (collectively, the “IS Parties”) into SPP as Transmission Owning Members. Specifically, in those proceedings (the “IS Parties Integration Proceedings”) the IS Parties proposed to place their respective transmission facilities under the functional control of SPP and begin taking transmission service under the SPP OATT.⁵

Because Central Power is a member of Basin Electric, Otter Tail moved to intervene in the IS Parties Integration Proceedings and filed comments raising concerns regarding the potential implications of Basin Electric’s integration for Otter Tail and its native load customers.⁶ In its comments, Otter Tail noted that it had been unable to confirm whether Central Power intended to put all or even part of its transmission facilities under the SPP Tariff.⁷ Otter Tail explained the complex, intertwined nature of the ITS, and identified various seams issues that could result from the IS Parties integration, particularly if Central Power were to put its facilities under the SPP Tariff. These harms included Otter Tail’s customers being subject to rate-pancaking of MISO and SPP transmission charges and potentially costly price differentials between the MISO and SPP markets resulting in unjust and discriminatory prices.

⁴ Southwest Power Pool, Inc., Integrated System Bylaws and Membership Agreement Revisions, Docket No. ER14-2851-000 (Sept. 11, 2014).

⁵ SPP 2014 OATT Revisions at 1.

⁶ Motion to Intervene and Comments of Otter Tail Power Company, Docket Nos. ER14-2850-000 and ER14-2851-000 (filed Oct. 9, 2014).

⁷ *Id.* at 7.

In response to Otter Tail’s comments, Basin Electric indicated that while it leases facilities from Central Power, including certain ITS facilities, those facilities were already operated by WAPA as part of the Integrated System.⁸ Basin Electric further confirmed that “the bulk of [Central Power’s] share of the ITS facilities, are not leased by Basin Electric and Basin Electric has not proposed that those facilities be transferred to SPP as part of Basin Electric’s decision to join SPP.”⁹ Similarly, SPP indicated that “[Central Power] has not indicated intent to join Basin Electric in its membership as an SPP transmission owner or asked to put any of their facilities under the SPP Tariff. If it does join, seams issues will be addressed as part of the MISO-SPP [Joint Operating Agreement].”¹⁰

On November 10, 2014, the Commission issued an order conditionally accepting in part, rejecting in part, accepting and suspending filings in part, and establishing hearing and settlement judge procedures in the IS Parties Integration Proceedings (“IS Parties Integration Order”).¹¹ In the IS Parties Integration Order, the Commission found that certain concerns articulated by Otter Tail and others raised “genuine issues of material fact that cannot be resolved based on the record before us and

⁸ Motion for Leave to Answer and Answer of Basin Electric Power Cooperative, at 3 Docket Nos. ER14-2850-000 and ER14-2851-000 (filed Oct. 24, 2014) (“Basin Electric October 24 Comments”).

⁹ *Id.* at 4.

¹⁰ Motion for Leave to Answer and Answer of the Southwest Power Pool, Inc., Docket Nos. ER14-2850-000 and ER14-2851-000, at 66-67 (filed Oct. 27, 2014).

¹¹ *Sw. Power Pool, Inc.*, 149 FERC ¶ 61,113 (2014), *order on reh’g and clarification*, 153 FERC ¶ 61,051 (2015).

are more appropriately addressed through hearing and settlement judge procedures.”¹² The Commission clarified, however, that it did not include in the hearing and settlement judge procedures the issues raised by Otter Tail concerning the facilities of Central Power because Central Power had not yet transferred its facilities to SPP.¹³ According to the Commission, Otter Tail could raise its concerns “if and when . . . Central Power [transfers its] facilities to SPP.”¹⁴

C. Central Power Integration Filing

On October 30, 2015, SPP proposed revisions to its OATT to add an ATRR and implement a Formula Rate for transmission service using the facilities of Central Power when Central Power transfers functional control of its transmission facilities to SPP on January 1, 2016. According to SPP, in anticipation of becoming a Transmission Owner and transferring functional control of its facilities to SPP, Central Power has requested that SPP implement these changes to the SPP Tariff.¹⁵

¹² *Id.* at P 112.

¹³ *Id.* at P 113.

¹⁴ *Id.*

¹⁵ Central Power Integration Filing at 5.

IV. PROTEST

A. SPP has Failed to Demonstrate that its Proposed Rates are Just and Reasonable

1. *SPP has failed to provide sufficient documentation to demonstrate that the Formula Rate and ATRR are just and reasonable.*

The Commission has repeatedly stated that “[b]oth a formula rate and its inputs must be transparent; it is essential to their being just and reasonable.”¹⁶ Accordingly, the “formula rate’s inputs, including supporting documentation and allocations, should be either taken directly from publicly available data such as the FERC Form No. 1, or be reconcilable to publicly available data such as FERC Form No. 1, by the application of clearly identified and supported documentation.”¹⁷ Yet the Central Power Integration Filing fails to provide key data, information, and explanations that are necessary for any formula rate to be approved. As a result, SPP has failed to demonstrate that its proposed rates are just and reasonable.

SPP indicates that “each input to the Formula Rate for purposes of determining the actual ATRR for a given [year] will be either taken directly from [Rural Utilities Service (“RUS”)] Form No. 12 or reconcilable to the RUS Form No. 12 by the

¹⁶ *Midwest Indep. Transmission Sys. Operator, Inc. et al.*, 143 FERC ¶ 61,149, at P 83 (2013); *see also NSTAR Elec. Co.*, 123 FERC ¶ 61,270, at P 12 & n.14 (2008) (stating that the requirement to have all sheets of a formula rate template filed, not only the summary data sheet, promotes formula rate transparency); *see also Midwest Indep. Transmission Sys. Operator, Inc.*, 113 FERC ¶ 61,194, at P 47 & n.36 (2005); *PJM Interconnection, L.L.C.*, 110 FERC ¶ 61,053, at P 120 & nn.104-05 (2005) (explaining that a formula is sufficiently clear when all parties can determine what costs go into the rate and how it will be calculated).

¹⁷ *Midwest Indep. Transmission Sys. Operator, Inc. et al.*, 143 FERC ¶ 61,149, at P 83.

application of clearly identified and supported information.”¹⁸ Yet the Central Power Integration Filing fails to include Central Power’s RUS Form No. 12, and while SPP suggests that Central Power’s RUS Form No. 12 is publicly-available,¹⁹ it is not. Although SPP states that “Central Power will cause SPP to post the RUS Form No. 12 data for each [year] on the SPP website to ensure that it is publicly available[,]”²⁰ as of the date of this filing, Central Power’s RUS Form No. 12 has not been posted to the SPP website.

2. *SPP has failed to provide sufficient information to demonstrate that the facilities identified by Central Power qualify as Transmission Facilities under the SPP Tariff.*

Section 205 of the Federal Power Act (“FPA”) “requires that the proponent of new rates bear the burden of providing that such rates meet the just and reasonable standard.”²¹ In order to prove that the proposed rates are just and reasonable, Central Power must prove that it has properly classified its facilities as Transmission Facilities eligible for rolled-in rate treatment.²² While Central Power includes a list of facilities that it proposes to include under the SPP Tariff, it does not provide a one-line diagram or transmission geographic map to show the facilities being included under the SPP Tariff and how they interconnect with the rest of the SPP Transmission System. Central Power also fails to provide any evidence or analysis demonstrating that it has

¹⁸ Central Power Integration Filing at 8.

¹⁹ *Id.* at 10.

²⁰ *Id.* at 8.

²¹ *Sw. Power Pool, Inc.*, 143 FERC ¶ 63,003, at P 210 (2013) (Initial Decision) (citing 16 U.S.C. § 824(d); *ISO New England*, 136 FERC ¶ 61,221, at P 20 (2011)).

²² *Id.* (internal citation omitted).

properly classified its facilities as Transmission Facilities eligible for rolled-in rate treatment. Therefore, Central Power has failed to satisfy its burden of proving that its proposed rates meet the just and reasonable standard.

The testimony and exhibits introduced by Central Power do not provide probative evidence that the facilities that Central Power proposes to include in its revenue requirement satisfy the SPP's definition of Transmission Facilities. In the filing, SPP provides a list detailing the name of the transmission facility, the type of facilities, a rough description of the location of the facilities, and the voltage of those facilities. SPP also provides testimony from Thomas L. Meland, General Manager of Central Power, in which Mr. Meland states that he "supervised an analysis performed by Central Power, described below, which applied the criteria of Attachment AI to the SPP Tariff in order to determine Central Power's qualifying facilities."²³ Yet Mr. Meland's testimony contains no description of the analysis Central Power performed, except to state that the facilities Central Power proposes to include under the SPP Tariff "consist of approximately 296.6 miles of transmission lines of Central Power's 60 kV, 69 kV and 115 KV transmission system, together with several transmission-level substations and equipment connected to the qualifying transmission lines,"²⁴ followed by the unsupported assertion that these facilities "meet the definition of 'Transmission Facilities' set forth in Attachment AI of the SPP Tariff . . ."²⁵ Similarly, the testimony provided by Bernard Cevera states that only "qualifying transmission facilities . . . will be placed under the functional control of

²³ Central Power Integration Filing, Exhibit SPP-1 at 9:8-9:9.

²⁴ *Id.* at 9:17-9:20.

²⁵ *Id.* at 9:23-10:1.

[SPP]” and are “the basis of the ATRR involved in this proceeding.”²⁶ When describing how he identified Central Power’s qualifying facilities, however, Mr. Cevera simply states that, “[a]s discussed in Mr. Meland’s testimony, he provided the line segments and the substation facilities that meet the criteria established in Attachment AI of the SPP Tariff.”²⁷

Neither SPP nor Central Power provide an actual analysis of whether the facilities Central Power identifies as “qualifying facilities” satisfy the criteria set forth in Attachment AI. The mere fact that these facilities are above 60 kV does not establish that these facilities qualify as Transmission Facilities under the SPP Tariff.²⁸ For example, under the SPP Tariff, radial lines operated at greater than 60 kV and serving only a single customer would not meet the SPP transmission definition and could not be included for cost recovery under the SPP OATT.²⁹ Radial lines serving only Central Power load would therefore not qualify as Transmission Facilities under SPP Tariff. If Central Power’s facilities do not satisfy SPP’s definition of Transmission Facilities, the costs for

²⁶ Central Power Integration Filing, Exhibit SPP-7 at 2:16-2:22.

²⁷ *Id.* at 5:18-5:20.

²⁸ *See, e.g., Sw. Power Pool, Inc.*, 149 FERC ¶ 61,051, at P 77 (2014) (“Opinion No. 535”) (noting that under the SPP Tariff, the facility must not only be operated at 60 kV or above to qualify as a Transmission Facility, but also must be non-radial).

²⁹ *See* SPP Attachment AI, Section II.1 (“All existing non-radial power lines, substations, and associated facilities, operated at 60 kV or above, plus all radial lines and associated facilities operated at or above 60 kV that serve two or more eligible customers not Affiliates of each other. Rate treatment for transmission upgrades completed after October 1, 2005 will be determined pursuant to Section 1.3 (h) of this Tariff. For the purpose of the application of this criterion, ‘open loops’ are radial lines. Additionally, at such time an existing radial is incorporated into a looped transmission circuit, that existing radial would be eligible for inclusion in rates on the same basis as the remainder of the facilities in the loop.”).

those facilities must be directly assigned to Central Power loads (and not throughout the pricing zone).

Central Power has simply failed to provide the factual support or analysis to demonstrate that the facilities at issue are Transmission Facilities under Attachment AI. Moreover, by failing to provide an accurate depiction of the system post-integration, customers and the Commission are deprived of any meaningful opportunity to challenge the inappropriate inclusion of facilities that do not qualify as Transmission Facilities into the proposed ATRR. Given that utilities have in the past incorrectly included non-qualifying facilities in their proposed ATRR, parties should not be left to trust the unsupported assertions of the utility's witness.³⁰

Given the interconnected nature of the ITS, the failure to include a one-line diagram or other system map particularly prejudices Otter Tail. Since Otter Tail learned that Central Power may place its facilities under the SPP Tariff, Otter Tail has worked with SPP to identify the appropriate transmission service that Otter Tail will need to take. SPP indicated that Otter Tail will need to take NITS for any on-system Otter Tail load. Further, according to SPP, the SPP Tariff requires that for any "off-system" Otter Tail load, Otter Tail must either: (i) take NITS for the entire amount of Otter Tail load; or (ii) take service on an as available basis, a service that is more expensive than NITS and

³⁰ For example, in Opinion No. 535, the Commission considered proposed revisions to the SPP Tariff to implement a proposed Formula Rate for transmission service for Tri-County Electric Cooperative ("Tri-County"), a non-jurisdictional utility. SPP stated that the formula rate would be used to calculate the ATRR and the resulting update to Attachment H, ATRR for NITS, for Tri-County's transmission facilities. *Id.* at P 3. After a hearing regarding the appropriate classification of the facilities that would form the basis of the ATRR, the Commission found that *none* of the facilities identified by Tri-County qualified as Transmission Facilities under Attachment AI. As a result, none of the facilities were eligible to be rolled into SPP's Zone 11 ATRR. *See also Kansas City Power & Light Company and Aquila, Inc.*, 125 FERC ¶ 61,352 (2008).

in some instances receives a lower priority of service.³¹ SPP has explained that “off-system” load is any load not physically connected to the SPP transmission system that may rely on Central Power (*i.e.*, SPP) facilities during contingency conditions. SPP also indicated that if Otter Tail desired service by January 1, 2016, Otter Tail had to submit an application for NITS on October 30, 2015.

As discussed in Section IV.C below, throughout this process, Otter Tail’s efforts were hindered by its inability to confirm which Central Power facilities will be placed under the SPP Tariff. However, in order to preserve its right to receive service (if necessary), Otter Tail was required to submit a NITS application based on its best guess of facilities, with the hope that the facilities would be clearer after Central Power submitted its integration filing.

3. *The Commission should reject the Central Power Integration Filing as deficient.*

As discussed above, SPP has failed to provide sufficient information to demonstrate that the ATRR and Formula Rate are just and reasonable. Because Central Power is not a public utility under the FPA, it is “not subject to Commission-imposed rate suspension and refund obligations under section 205 of the FPA.”³² Central Power has committed to refund the difference, if any, between the rates based on Central Power’s

³¹ Although it may be beyond the scope of this filing, Otter Tail does not believe that such a requirement is consistent with Commission policy. *See Florida Power & Light Co.*, 81 FERC ¶ 61,055, at 61,272 (1997) (rejecting proposed rates for back up transmission service because Commission policy “recognizes that unauthorized flows are an unavoidable consequence of interconnected operations” and therefore “parties should establish mutually acceptable operating practices to handle system emergencies and should resort to a monetary penalty only if such practices fail and one party is burdened by the other”).

³² *Sw. Power Pool, Inc.*, 151 FERC ¶ 61,211, at P 41 (2015).

proposed ATRR and the ATRR the Commission ultimately determines to be just and reasonable. However, if the Commission were to determine that Central Power's proposed ATRR is unjust and unreasonable, the Commission would have no way to enforce Central Power's gratuitous promise to provide refunds because it does not have jurisdiction over Central Power under sections 205 and 206 of the FPA.³³ Therefore, the Commission should determine that the Central Power Integration Filing is deficient, and that the proposed changes to the SPP OATT are not allowed to become effective until at least 60 days after Central Power (or SPP) provides sufficient information to demonstrate the justness and reasonableness of including the facilities identified by Central Power in its proposed ATRR.

B. Central Power's Decision Will Result in an Inappropriate RTO Configuration

In Order No. 2000, the Commission made clear that the purpose of RTOs is to “promote efficiency in wholesale electricity markets and to ensure that electricity consumers pay the lowest price for reliable service . . .”³⁴ While the Commission has recognized that it is inevitable that there will be some negative consequences of utilities joining RTOs, it has consistently sought to minimize the impact of RTO integration on customers. As part of that policy, the Commission has previously imposed conditions on

³³ *Cf. New West Energy Corp.*, 83 FERC ¶ 61,004, at 61,015 (1998) (noting that “an entity that is not a public utility under the FPA cannot volunteer to be one” and “volunteer to become subject to this Commission's jurisdiction under Section 205 and 206.”) (internal citation omitted).

³⁴ *Regional Transmission Organizations*, Order No. 2000, FERC Stats. & Regs. ¶ 31,089 (1999), *order on reh'g*, Order No. 2000-A, FERC Stats. & Regs. ¶ 31,092 (2000), *aff'd sub nom. Pub. Util. Dist. No. 1 v. FERC*, 272 F.3d 607 (D.C. Cir. 2001) (“Order No. 2000”).

acceptance of a utility's decision to join an RTO where the utility's choice to join an RTO will result in an "inappropriate RTO configuration."³⁵

The facilities of Otter Tail and Central Power are highly interconnected and, as a result, the proposed RTO boundary will "split a highly interconnected portion of the transmission grid."³⁶ As a result, and as discussed further below, this will create pockets of Otter Tail load that will be isolated from the remainder of the Otter Tail system. Moreover, Central Power's choice of RTO will require Otter Tail to reconfigure its system to minimize impacts to its native load customers. In order to avoid these negative impacts, Central Power and Otter Tail's facilities should not be divided into separate RTOs absent adequate provisions to address seams issues.³⁷

³⁵ *Midwest Indep. Transmission Sys. Operator, Inc., et al.*, 104 FERC ¶ 61,105, at P 29 (2003) ("When [the Commission] find[s] that a proposed RTO does not meet the scope and configuration requirements of Order No. 2000, as [it] did with respect to the organizations resulting from certain former Alliance Companies' decisions to join PJM, the Commission must impose conditions on its acceptance of those decisions, such as requiring inter-RTO coordination agreements and/or the elimination of inter-RTO rate pancaking, in order to mitigate otherwise inappropriate RTO configuration.").

³⁶ *Alliance Companies, order on clarification*, 102 FERC ¶ 61,214, at P 26 *order on reh'g and clarification*, 103 FERC ¶ 61,274, *order denying reh'g and granting clarification*, 105 FERC ¶ 61,215 (2003), *appeal docketed sub nom. American Electric Power Service Corp. v. FERC*, No. 03-1223 (D.C. Cir. Aug. 1, 2003) ("*Alliance Companies*") ("The evidence presented in this proceeding indicated that the RTO choices, as proposed, and as accepted (albeit with conditions), were frankly problematic when considered in light of Order No. 2000. For instance, the record indicates that [MISO] and New PJM Companies/Illinois Power are highly interconnected and that there are significant loop flows between [MISO] and New PJM Companies/Illinois Power, and so the proposed RTO boundary would split a highly interconnected portion of the transmission grid . . . The Commission thus found that the RTO configuration, as proposed, and without conditions, would frustrate the realization of the goals that Order No. 2000 found that RTO formation should promote, such as resolution of loop flow issues, effective management of congestion, and enhanced reliability and efficiency.").

³⁷ *Id.* at P 30.

1. *Central Power's decision to join SPP will geographically isolate certain MISO load from the remainder of the MISO system.*

The configuration that will result from Central Power's decision will isolate certain parts of the MISO system, as well as Otter Tail native load, leaving Otter Tail dependent on SPP transmission service, at pancaked inter-RTO rates, in order to reach other areas of MISO.³⁸ As described in the testimony of Jason Weiers, Otter Tail estimates that this will result in a total annual impact of approximately \$2.96 million annually to Otter Tail's native load customers. Given that the average per capita income in the ITS footprint is \$15,000 per year, the rate increase resulting from these costs will be felt by Otter Tail's customers.

For example, the Central Power-owned CPEC Rugby – WAPA Rugby 115 kV line is connected to Central Power's Rugby 115/41.6 kV substation, with Otter Tail owned 41.6 kV transmission lines exiting this 115/41.6 kV substation serving both Otter Tail and Central Power distribution deliveries. Due to the configuration of the transmission system in this area, the Central Power-owned 115 kV facilities, which will be under the SPP tariff, are connected to Otter Tail owned 41.6 kV facilities under the MISO tariff, thus exposing customers served from this substation to two separate RTO tariffs. Furthermore, after Central Power's facilities are placed under the SPP Tariff, the configuration of the normally open switches along the Otter Tail owned 41.6 kV transmission system out of the Rugby 115/41.6 kV substation will result in Otter Tail's 41.6 kV transmission network in this area being isolated from other parts of the Otter Tail 41.6 kV transmission network, which is connected back to other MISO transmission paths. The only way to avoid this isolation would be to close the normally open switches,

³⁸ *Id.* at P 28.

which are maintained in their open position due to reliability and operational considerations.

In the IS Parties' Proceedings, it was suggested that the negative impacts identified by Otter Tail stem from the expiration of the ITA rather than any choice by Central Power to join SPP.³⁹ This is incorrect. As discussed in the testimony submitted by Jason Weiers, the negative impacts identified by Otter Tail result from Central Power's decision to join SPP. If Central Power had instead joined MISO, the impacts identified above would not exist. Plainly, Otter Tail would not have load stranded from the remainder of MISO. Moreover, if Central Power had instead joined MISO, the reciprocal usage of the facilities could have continued, regardless of the expiration of the ITA, and, as a result, Otter Tail would not have needed to take or pay for SPP NITS. In contrast, because Central Power has decided to place its facilities under the SPP Tariff, Otter Tail will now have load stranded in SPP, separated from the remainder of MISO. As Jason Weiers and Ryan Retzlaff each describe, in order to guarantee that it can reliably serve that load, Otter Tail will be forced to take SPP NITS for that load, even though that load is served off of Otter Tail transmission facilities and already takes MISO NITS. Thus, the issues identified above stem not from the expiration of the ITA, but rather Central Power's choice of RTO.

2. *Central Power's decision to join SPP will require that Otter Tail reconfigure its system to mitigate impacts to its customers.*

Another consequence of this inappropriate RTO configuration is that Otter Tail will be forced to substantially alter its normal configuration to eliminate as many scenarios as possible where Otter Tail load would be switched into SPP. This

³⁹ See Basin Electric October 24 Comments at 4-5.

reconfiguration will reduce efficiencies, and may result in some Central Power load unintentionally being moved into MISO.

Because of the large distance between loads on the ITS (generally 10 - 50 miles, with some towns separated by more than 50 miles), Central Power and Otter Tail have sectionalized the system to promote efficiency and reliability. This results in the strategic positioning of line switches being either opened or closed to source load from different points on the system. This has proven to be very effective in minimizing interruptions to customers due to unplanned interruptions, isolating issues on the system, or moving load from one source to another to restore service during interruptions. Currently, when Otter Tail, as transmission operator, changes a switch from its normal operating state (*i.e.*, open a normally closed switch or close a normally open switch), load may switch from being served from facilities owned by Central Power to facilities owned by Otter Tail, and vice versa. If Central Power had joined MISO instead of SPP, this load shifting by changing the operating state of switches would not be an issue. However, because Central Power has decided to join SPP, that same action taken after January 1, 2016 could move Otter Tail-MISO load into SPP, or Central Power-SPP load into MISO.

As explained above, SPP has advised Otter Tail that under the SPP Tariff, Otter Tail must take transmission service for 100 percent of load that may ever rely on the SPP system, even if it never actually uses that service. According to SPP, however, if Otter Tail does not take NITS for such load, then it would only receive service during such conditions on an as available basis. This “as available” service would be subject to a higher rate than the NITS rate, and in some instances would be a lower priority service, subject to increased curtailment. Thus, in order to guarantee that it can continue to

provide reliable service and to protect its native load customers from being subjected to extreme rate shock, Otter Tail will be forced to alter the current configuration of its transmission system to eliminate as many scenarios as possible where Otter Tail load could be switched into SPP, reducing the efficiency, flexibility, and reliability of the ITS.

3. *Otter Tail should be held harmless from impacts associated with Central Power's integration into SPP.*

As discussed above, integration of Central Power facilities will separate certain Otter Tail load from the remainder of the MISO system, creating islands of MISO load within SPP. Where a utility's RTO choice will result in an unjust or unreasonable RTO configuration, the Commission has found that a hold harmless condition may be necessary to mitigate the geographic separation caused by the utility's decision to join a RTO. Such a remedy is appropriate here, where Central Power's choice of RTO will leave Otter Tail load stranded and/or subject to pancaked rates.

In *Alliance Companies*, the Commission considered the applications of Commonwealth Edison Company, Commonwealth Edison Company of Indiana ("ComEd") and certain operating company subsidiaries of American Electric Power Corporation ("AEP") to join PJM Interconnection, L.L.C. ("PJM").⁴⁰ These RTO choices would leave MISO and PJM highly interconnected along a jagged seam including many "islands" of PJM-aligned utilities within MISO's border.⁴¹ Further, utilities in

⁴⁰ 100 FERC ¶ 61,137 (2002), *order on clarification*, 102 FERC ¶ 61,214, *order on reh'g and clarification*, 103 FERC ¶ 61,274, *order denying reh'g and granting clarification*, 105 FERC ¶ 61,215 (2003), *appeal docketed sub nom. American Electric Power Service Corp. v. FERC*, No. 03-1223 (D.C. Cir. Aug. 1, 2003).

⁴¹ *Midwest Indep. Transmission Sys. Operator*, Docket No. EL02-111-000 (Mar. 31, 2003; errata Apr. 3, 2003) (Initial Decision).

Wisconsin and Michigan (members of MISO) would be left extremely isolated from the rest of MISO, and subjected to substantial congestion and loop flow issues.⁴²

To rectify this situation, or at least minimize the disruption of an already vulnerable portion of the grid, the Commission directed the Alliance Companies to hold Wisconsin and Michigan utilities harmless from the impact of the proposed RTO alignment.⁴³ The Commission reiterated this analysis in *Commonwealth Edison Co.*, an offshoot of the core *Alliance Companies* cases, in which the Commission was asked to determine if a compliance filing designed to address the Commission's *Alliance Companies* hold harmless requirement was just and reasonable.⁴⁴ The Commission explicitly found that “the purpose of [the *Alliance Companies*] hold harmless condition is

⁴² *Alliance Companies*, 103 FERC ¶ 61,274, at P 26.

⁴³ *Midwest Indep. Transmission Sys. Operator, Inc.*, 111 FERC ¶ 61,474, at P 2 (2005); *see also Alliance Companies*, 102 FERC ¶ 61,214, at P 7 (clarifying that “utilities in Wisconsin and Michigan should be held harmless from any adverse operational *and financial* impacts related to loop flow and congestion resulting from the choices of AEP, ComEd, and Illinois Power to join PJM. Such financial impacts may include changes in congestion uplift, locational prices, or changes in levels and/or frequency of Transmission Loading Relief procedures, and any other significant commercial impacts that can be reasonably identified and quantified.”) (emphasis in original). The Commission also instituted, under section 206 of the FPA, an investigation and hearing of the through-and-out rates that MISO and PJM charged for inter-RTO transmission service, which resulted in rate pancaking for transactions crossing the seam between the two RTOs. The Commission found that the rate pancaking that resulted from MISO's and PJM's through-and-out rates, when applied to transactions sinking within the combined proposed MISO/PJM footprint, was unjust and unreasonable. Although the rate pancaking principles in Order No. 2000 relate to intra-RTO transactions, the Commission explained that “rate pancaking across the proposed seam is incorrectly characterized as ‘inter-RTO’ rate pancaking; rather, it constitutes ‘intra-RTO’ rate pancaking which is unequivocally prohibited under Order No. 2000.” *Midwest Indep. Transmission Sys. Operator, Inc., et al.*, 104 FERC ¶ 61,105, at P 35.

⁴⁴ 106 FERC ¶ 61,250 (2004).

to protect [MISO] utilities from the financial impacts . . . created by ComEd’s and AEP’s RTO choice, essentially making [MISO] utilities whole for those impacts.”⁴⁵

Since its decision in *Alliance Companies*, the Commission has refined this policy, clarifying that the rationale for requiring a hold harmless remedy is not to address loop or parallel flows *per se*, but rather to mitigate financial impacts where a utility’s RTO choice will result in geographic separation of utilities. In *ITC Holdings Corp.*, the Commission was asked to require a hold harmless provision with regard to utilities impacted by parallel and loop flows caused by Entergy’s proposed integration into MISO.⁴⁶ The Commission distinguished Entergy’s integration from that addressed in *Alliance Companies* and *Commonwealth Edison Co.* on the basis that “the hold harmless remedy established in that case for utilities in Wisconsin and Michigan was developed to mitigate the geographic separation of utilities in those two states” and was “not established to address loop or parallel flows *per se* . . .”⁴⁷ Rather than providing a hold harmless remedy, the Commission indicated that loop flow, parallel flow and congestion concerns should be addressed through the MISO-SPP Joint Operating Agreement.⁴⁸ On rehearing, the Commission distinguished *Alliance Companies*, explaining that a hold harmless remedy was appropriate in *Alliance Companies* because “AEP and [ComEd]

⁴⁵ *Id.* at P 52.

⁴⁶ *Id.*

⁴⁷ *ITC Holdings Corp.*, 143 FERC ¶ 61,257, at P 148-149 (2013), *order granting in part, denying in part, and dismissing in part reh’g*, 146 FERC ¶ 61,111 (2014) (“*ITC Holdings*”).

⁴⁸ *ITC Holdings*, 143 FERC ¶ 61,257, at P 151.

created a void in MISO, separating Wisconsin and Michigan utilities from the remainder of their RTO.”⁴⁹

The situation faced by Otter Tail is similar to that faced by the MISO utilities in *Alliance Companies*. Central Power’s decision will result in the ITS being broken into two RTOs, with Otter Tail load being separated from the remainder of MISO. As explained in Section IV.B.1 above and in the testimony of Jason Weiers, this situation would not have occurred if Central Power instead chose to join MISO.⁵⁰ If Central Power had joined MISO, the license plate rate design would permit the parties to only pay the Otter Tail pricing zone—the loads would therefore be paying one rate, and both Central Power and Otter Tail loads would be treated comparably. In contrast, because Central Power has chosen to place its facilities under the SPP Tariff, Otter Tail must take MISO NITS and SPP NITS to serve the same load, even though that load will be served off Otter Tail transmission facilities. While Central Power has had the benefit of weighing and choosing which RTO results in the most desirable financial outcome for it and its customers, Otter Tail is simply forced to deal with the aftermath of Central Power’s decision.

Moreover, as explained by Stacie Hebert, because of the disparate treatment of NITS under the MISO and SPP Tariffs, the financial impact to Otter Tail

⁴⁹ *ITC Holdings*, 146 FERC ¶ 61,111, at P 65.

⁵⁰ Notably, when Otter Tail joined MISO in 2002, the ITA received Grandfathered Agreement status under the MISO Tariff, thus ensuring that Central Power would not be adversely impacted by Otter Tail’s integration into MISO. Similarly, when MISO established its energy markets in 2005, protections were put in place to ensure that Central Power customers in the ITS were protected from the assessment of charges under MISO’s Tariff to Central Power’s loads. Similar measures are needed here to protect Otter Tail’s native load customers from the assessment of charges under SPP’s Tariff to Otter Tail’s loads.

will be much greater. Specifically, unlike the MISO Tariff, the SPP Tariff will require that Otter Tail take NITS for “off-system” loads, or loads that require SPP service during contingency conditions. Because there is a possibility that some Otter Tail load may be switched onto Central Power (*i.e.*, SPP) facilities, SPP views this load as off-system load. Off-system load is included in calculating a customer’s monthly Network Load. As a result, Otter Tail will be required to pay for 20 MW of service, even if that service is never used. Thus, even though nothing on the system has changed and Otter Tail is operating the system as it always has, Otter Tail will be forced to take NITS from both MISO and SPP, solely because Central Power has decided to place its facilities under the SPP Tariff rather than the MISO Tariff. Consequently, the adverse financial and operational impacts are a direct result of Central Power’s choice of RTO. Otter Tail has investigated the feasibility of building new facilities to eliminate the impacts of Central Power’s decision to join SPP rather than MISO (*i.e.*, duplicating Central Power facilities). Not only would such a build out be expensive and inefficient, but also it would not eliminate the impact of Central Power’s decision on Otter Tail, as certain Otter Tail load would likely still be viewed by SPP as off-system load.

Otter Tail understands that the Commission’s preferred approach is that seams issues be addressed by interregional agreements such as the MISO-SPP Joint Operating Agreement. However, it is unlikely that these issues can be addressed through the Joint Operating Agreement given that most of the facilities in question are less than 100 kV and, as a result, are not part of the Bulk Electric System and/or do not qualify as Transmission Facilities under the SPP Tariff.⁵¹ Moreover, while the load implicated in

⁵¹ See SPP-MISO Joint Operating Agreement at § 2.2.7.

this proceeding constitutes a mere 0.15 percent of SPP’s entire load, it constitutes almost 10 percent of Otter Tail’s load. Therefore, Otter Tail respectfully requests that the Commission condition the inclusion of Central Power’s facilities under the SPP Tariff on SPP and Central Power adopting a solution to hold Otter Tail harmless from the financial and operational impacts caused by Central Power’s decision to join SPP.⁵²

C. The Commission should order SPP to allow Otter Tail to amend its NITS Agreement to reflect the outcome of this proceeding.

The FPA requires regulated utilities such as SPP to file with FERC, as a matter of open and accessible public record, schedules showing all rates and charges for any transmission or sale subject to FERC jurisdiction, together with any contracts which may in any manner affect or relate to such rates, charges, classifications, and services.⁵³ As a consequence, public utilities are prohibited from charging any rate other than the one on file with the Commission.⁵⁴ As the D.C. Circuit has explained, this “express mandate of openness [and] transparency . . . prevents discrimination, promotes fair and equal access to the utilities' services, ensures the stability and predictability of rates, and reinforces the Commission's jurisdictional authority.”⁵⁵

⁵² Recognizing the unique issues posed by the intertwined systems in the Montana-North Dakota region, in the IS Parties Integration Proceedings, the Commission found that the seams issues and need for a hold harmless provision raised issues of material fact, and that including the option of a hold harmless provision in the hearing and settlement judge proceedings would appropriately allow the parties to discuss such provisions as a remedy to the seams issues raised in that proceeding. *Sw. Power Pool, Inc.*, 153 FERC ¶ 61,051, at P 61 (2015).

⁵³ 16 U.S.C. § 824d(c).

⁵⁴ *See, e.g., NSTAR Elec. & Gas Corp. v. FERC*, 481 F.3d 794, 800 (D.C. Cir. 2007).

⁵⁵ *W. Deptford Energy, LLC v. F.E.R.C.*, 766 F.3d 10, 13 (D.C. Cir. 2014).

As described in detail in the testimony of Ryan Retzlaff, SPP informed Otter Tail that it must file a NITS application on October 30, 2015 for service on Central Power facilities, even though SPP had not yet publicly provided the list of facilities that Central Power intended to include under the SPP Tariff. Despite repeated requests for the list of Central Power facilities that would be placed under the SPP Tariff, SPP never provided Otter Tail with such a list. Indeed, it was not until the morning the NITS application was due that Central Power, not SPP, provided Otter Tail such a list, allowing Otter Tail no time to analyze the list and revise its NITS application accordingly. As noted by Mr. Retzlaff, this meant that Otter Tail was compelled to submit its request for NITS based on its best guess as to the facilities that would be placed under the SPP Tariff, lest it face both the risk of having no confirmed service on January 1, 2016 and the risk of SPP filing an unexecuted service agreement. Otter Tail anticipates that it will need to confirm its requested reservation on or around the first week of December 2015, and will be required to execute a NITS Agreement shortly thereafter.

As noted above, a utility such as SPP must have on file schedules showing all rates and charges for any transmission or sale subject to FERC jurisdiction, together with any contracts which may in any manner affect or relate to such rates, charges, classifications, and services. Given this requirement, it simply cannot be that a utility may force a customer to submit an application—which serves as the basis for an agreement that may not be terminated—when the utility has not yet filed publicly a list of the facilities upon which the customer will need to take service, or indicated what rate will be charged for transmission on those facilities. Nonetheless, SPP did just that: force Otter Tail into filing a NITS application, despite Otter Tail's repeated protestations

regarding the lack of information, with threats that Otter Tail load would not be able to be reliably served or would be subject to a rate that is so high that it is more analogous to a penalty.

Indeed, Otter Tail will not have certainty which, if any, Otter Tail load will need to take service from SPP until the resolution of this proceeding. Specifically, if the Commission determines that any of the facilities Central Power has claimed as Transmission Facilities do not qualify as Transmission Facilities under the SPP Tariff, then the points of delivery listed in Otter Tail's NITS Agreement will no longer be accurate. This will lead to the odd result that Otter Tail's NITS Agreement will state that Otter Tail is required to compensate SPP for taking service at points that are not under the SPP Tariff. Therefore, Otter Tail respectfully requests that the Commission direct SPP to allow Otter Tail to amend its NITS Agreement to reflect the outcome of this proceeding.

V. CONCLUSION

For the foregoing reasons, the Commission should grant Otter Tail's Motion to Intervene, and determine that the Central Power Integration Filing is deficient, and that the proposed changes to the SPP OATT will not be allowed to become effective until at least 60 days after Central Power (or SPP) provides additional information demonstrating the justness and reasonableness of including the facilities in question under the SPP Tariff. Otter Tail also requests that the Commission direct SPP: (1) to hold Otter Tail and its customers harmless from the financial impacts of Central Power's integration; (2) to allow Otter Tail to amend its NITS Agreement to reflect the outcome of this proceeding; and (3) to grant any other relief as the Commission deems necessary to mitigate the impacts of Central Power's integration into SPP on Otter Tail and its native load customers.

Respectfully submitted,



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Counsel for Otter Tail Power Company

Dated: November 20, 2015

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 20th day of November, 2015.

/s/ Jennifer Arneson
Jennifer Arneson
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**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

SOUTHWEST POWER POOL

)

Docket No. ER16-209-000

**PREPARED DIRECT TESTIMONY OF
STACIE M. HEBERT**

1 **I. INTRODUCTION AND EXPERIENCE**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Stacie M. Hebert. My business address is 215 South Cascade Street,
4 Fergus Falls, MN 56537.

5 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

6 A. I am employed by Otter Tail Power Company (“Otter Tail”). I am the Federal
7 Energy Regulatory Commission (“FERC”)/Regional Transmission Organization
8 (“RTO”) Policy Advisor.

9 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**
10 **BACKGROUND.**

11 A. I have a Bachelor of Science degree in Mechanical Engineering from North
12 Dakota State University and am a Professional Engineer licensed in Minnesota. I
13 have been employed by Otter Tail Power Company (“Otter Tail”) for nearly 24
14 years. Prior to taking my current position in the fall of 2014, I was Manager,
15 Supply Services. In that role, I represented the company’s interests as operating
16 agent of two jointly-owned plants as chair of the Big Stone Engineering &
17 Operating (“E&O”) Committee and as representative on the Coyote E&O
18 Committee, established and administered the fuel procurement strategy,

1 negotiated and administered coal contracts and railcar lease agreements, and
2 managed the company's peaking generating facilities. Before joining the Supply
3 Services area, I worked in the Resource Planning Department for 12 years.

4 **Q. WHAT ARE YOUR JOB RESPONSIBILITIES AT OTTER TAIL AS**
5 **THEY RELATE TO THIS PROCEEDING?**

6 A. In my current role, I manage FERC and RTO Policy matters for Otter Tail. My
7 primary responsibilities include directing the development of the strategic
8 direction on FERC and Midcontinent Independent System Operator, Inc.
9 ("MISO") transmission policy and tariff matters, and serving as the primary
10 advisor in the company on FERC/RTO tariff matters. I also manage the
11 identification, analysis and communication of major FERC and MISO initiatives,
12 and lead interactions with FERC, MISO, Edison Electric Institute ("EEI"), and
13 states as they relate to transmission policy and federal regulatory matters,
14 including providing public positions and testimony. I am also responsible for the
15 company's FERC regulatory filings and the company's Control Area Service and
16 Operations Tariff.

17 **Q. HAVE YOU SPONSORED ANY OTHER COMMENTS OR TESTIMONY**
18 **BEFORE REGULATORY COMMISSIONS?**

19 A. Yes. I was a witness on Otter Tail's Advanced Determination of Prudence
20 proceeding before the North Dakota Public Service Commission for the Big Stone
21 Air Quality Control System in 2011. The purpose of that testimony was to explain
22 how fuel and rail rates were included in the least cost analysis of the Big Stone
23 AQCS project.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. My testimony will build upon Jason Weiers' testimony by describing how Otter
3 Tail will pay for Network Integration Transmission Service ("NITS") twice for
4 the same load – once for MISO NITS and now a second time for the same load,
5 without any added benefit, from the Southwest Power Pool, Inc. ("SPP"). I will
6 also describe how SPP's treatment of "On System Load" and "Off System Load"
7 will impact Otter Tail in a disproportionate and harmful way. Finally, I will
8 describe key differences in the SPP and MISO (1) tariff processes and (2) NITS
9 charges.

10 **Q. PLEASE DESCRIBE HOW OTTER TAIL LOAD WILL PAY TWICE**
11 **WITHOUT ANY ADDED BENEFIT DUE TO CENTRAL POWER'S**
12 **INTEGRATION INTO SPP.**

13 A. Today, Otter Tail's entire load is in MISO taking MISO NITS. Mr. Weiers
14 describes the complex, non-contiguous, Integrated Transmission System ("ITS")
15 of Central Power and Otter Tail. With the interspersed load of Otter Tail and
16 Central, when Central Power integrates some of the ITS facilities into SPP, the
17 Otter Tail loads integrated with those facilities will be required to secure SPP
18 NITS in order to provide comparable service to those loads post-integration. This
19 is load that is on Otter Tail's 41.6 kV backbone and currently paying MISO NITS.
20 Now, because of the integrated nature of the Otter Tail and Central Power ITS,
21 when Central Power moves its portion of the ITS facilities into SPP, the Otter Tail
22 load integrated with those facilities will, by default, also be required to pay SPP
23 NITS. Consequently, because of Central Power's decision to join SPP, certain

1 Otter Tail load will pay twice for no enhanced service or reliability – it will
2 continue to pay MISO NITS and it will now also pay SPP NITS. This will be the
3 same load and the same system that’s been there for more than a century, but now
4 it will pay NITS to two RTOs.

5 **Q. WHAT DO YOU MEAN BY COMPARABLE LEVEL OF SERVICE?**

6 A. In order to provide reliable, comparable service to its all of its loads, Otter Tail is
7 compelled to take SPP NITS for any of its loads in SPP. This includes the MISO
8 load that is on MISO transmission but by definition deemed to be “Off System”
9 from SPP’s perspective.

10 **Q. IS THE DOUBLE NITS CHARGE ON THE SAME LOAD THE ONLY**
11 **ADVERSE CONSEQUENCE OF CENTRAL POWER’S INTEGRATION**
12 **INTO SPP?**

13 A. No. In addition to the operational impacts described by Mr. Weiers and the harm
14 resulting from the rate pancake, we found significant tariff differences relating to
15 NITS in SPP for certain loads that disproportionately harm Otter Tail.

16 **Q. HOW DID YOU BECOME AWARE OF THE DIFFERENCES IN THE**
17 **NITS SERVICE?**

18 A. As a result of discussions with SPP and a review of the SPP Tariff, it became
19 clear that there was a discrepancy between the SPP Open Access Transmission
20 Tariff (“Tariff”) and the MISO Tariff on the applicability of NITS service both in
21 terms of how NITS service would apply to certain loads and in terms of
22 comparability in the billing determinants.

1 **Q. CAN YOU PROVIDE MORE DETAIL ON THE DIFFERENCES IN HOW**
2 **NITS SERVICE APPLIES TO CERTAIN LOADS IN SPP?**

3 A. Section 31.4 of the SPP Tariff discusses “delivery points not physically
4 interconnected with the Transmission Provider” and provides that a Network
5 Customer desiring to obtain transmission service for a load outside the
6 Transmission System has the option of including the load as Network Load (*i.e.*
7 take NITS), or purchasing Point-to-Point Transmission Service. Otter Tail has
8 about 20 MW of load that is normally served from the MISO system, but with
9 Central Power moving a portion of the ITS to SPP, under certain, infrequent
10 contingency situations (as further described in Mr. Weiers testimony), a MW here
11 or there of Otter Tail load could be switched into SPP and thus need to take SPP
12 transmission service for a short increment of time until the system can be returned
13 to normal condition. In its NITS Agreement, SPP refers to such load as “Off
14 System Loads” (as explained in detail by the testimony of Mr. Retzlaff) and that
15 is how I will refer to these loads in my testimony. Loads that are connected to the
16 Transmission System are referred to as On System Loads in SPP’s NITS
17 Agreement.

18 **Q. PLEASE FURTHER DESCRIBE HOW THIS DISTINCTION OF OFF**
19 **SYSTEM LOAD AFFECTS OTTER TAIL?**

20 A. The harmful impact to Otter Tail derives from the billing process for the Off
21 System Loads. In SPP, the Network Customer’s monthly Network Load for On
22 System Loads is its hourly load coincident with the monthly peak of the Zone
23 where the Network Customer is physically located (Zone 19 for Otter Tail’s on

1 system loads). For the Off System Load, as per Section 34.4 of the SPP Tariff,
2 “[w]here a Network Customer has designated Network Load not physically
3 interconnected with the Transmission System under Section 31.3,¹ the Network
4 Customer’s monthly Network Load will be its hourly load coincident with the
5 monthly peak of the Zone that is the basis for charges under Schedule 9.” The
6 total of the On System and Off System Loads coincident with the zonal peak is
7 then used in the numerator of the Load Ratio Share calculation in SPP. This
8 means that Otter Tail will have to identify the Off System Load at the time of the
9 SPP Zone 19 monthly peak and add that to the its On System Load to calculate
10 the future SPP NITS payment. Because we estimate that Otter Tail’s Off System
11 Load will actually be served in MISO more than 95% of the time, Otter Tail’s
12 MISO load will actually be included in the calculation of our future SPP NITS
13 payment. Otter Tail is not opposed to paying for service when it uses the service,
14 but does object to the fact that Section 31.4 ultimately forces Otter Tail to pay for
15 service round the clock, all year when we may – or may not – even use or need
16 the service merely to have a comparable level of service (to what our load
17 receives in MISO) at the ready for the rare event that a contingency occurs on the
18 ITS that would require switching actions and thus move Otter Tail load from
19 MISO into SPP.

20 **Q. HOW OFTEN IS THE OFF SYSTEM LOAD SWITCHED INTO SPP?**

¹ Section 34.4 of the SPP Tariff sets forth the calculation monthly Network Load for a customer who has designated Network Load not physically interconnected with the Transmission system “under Section 31.3.” However, it appears that this sentence actually should reference section 31.4 of the SPP Tariff, entitled “Delivery Points Not Physically Interconnected with the Transmission Provider.”

1 A. These contingency situations that result in Off System Loads being served in SPP
2 happen very infrequently when certain switches are opened or closed to address a
3 planned or unplanned condition on the transmission or distribution system.
4 Historically, this switching occurs less than one day a month and the event
5 typically lasts for 8 – 12 hours before the system can be put back to its normal
6 operating condition. That equates to approximately 90 – 150 hours—or less than
7 2% of any given year. This is a temporary situation, but the SPP Tariff requires
8 Otter Tail to pay for NITS service every hour of the year for these Off System
9 Loads.

10 **Q. WHEN YOU HAVE AN EVENT THAT SWITCHES OTTER TAIL'S OFF**
11 **SYSTEM LOAD INTO SPP, IS IT THE TOTAL AMOUNT OF OFF-**
12 **SYSTEM LOAD THAT IS SWITCHED?**

13 A. No, not even close. The switching of Off System Load into SPP affects only a
14 portion (in many cases a very small portion) of the total Off System Load. Otter
15 Tail's System Operations Department estimates that when an event requires Off
16 System Load to be switched into SPP, 99% of the time it would involve 2 MW or
17 less (i.e., 0.004% or less of total SPP load). For the remaining 1% of the time, the
18 Off System Load that is switched into SPP would only be 5 MW or less. The SPP
19 Tariff will require Otter Tail to pay for the full 20 MW of NITS service for the
20 Off System Load when it will only require a fraction of that service and that is
21 only on an intermittent basis.

22 **Q. IS THERE A SIMILAR TREATMENT OF OFF SYSTEM LOADS IN**
23 **MISO?**

1 A. No, MISO does not distinguish between On and Off System Loads on its NITS
2 application. Customers such as Central Power may simply apply for NITS
3 service for any load that may be served in MISO, and is then billed based on
4 actual usage at the zonal coincident peak under the MISO Tariff. According to
5 MISO's Business Practice Manual 012-r12 (page 3-70), "[t]he Network Customer
6 pays MISO the Schedule 9 [NITS] Monthly Demand Charge based on the amount
7 of Network Load served." In other words, the numerator of the Load Ratio Share
8 calculation includes only the actual loads in MISO at the time of the zonal
9 coincident peak. Applying the same NITS tariff language and billing process to
10 Central Power's situation, we do not believe they are similarly harmed. In this
11 case, we would be looking at Central Power loads that would normally be served
12 in SPP but could be switched into MISO under a contingency. When that
13 contingency load is in SPP, they will pay SPP NITS. When that load is in MISO,
14 it will only pay for MISO NITS if it happens to coincide with the zonal coincident
15 peak hour. And even in that case, they are able to receive NITS service from
16 MISO without having to pay for it every hour of every day of the year. In
17 contrast, Otter Tail must pay SPP every hour of every day of the year to obtain
18 comparable NITS service on its Off System Load. Consequently, we have Otter
19 Tail and Central Power load that should, by design, be comparably treated and yet
20 it is not, as a result of the newly created RTO-to-RTO seam resulting from
21 Central Power moving portions of the ITS into SPP.

22 **Q. WHAT IS THE RESULTANT FINANCIAL IMPACT FROM THIS OFF**
23 **SYSTEM SERVICE?**

1 A. In SPP, Otter Tail would be required to pay for NITS service to its Off System
2 Loads whether it ever uses that service or not. Otter Tail will effectively pay for
3 20 MW of NITS service to Off System Loads 24 hours a day, 365 days a year
4 even if we never use the service. The SPP Tariff requires the customer to pay for
5 a permanent service when in fact it is being used on a temporary basis. This
6 amounts to a rate impact to Otter Tail native load of about \$1 million annually.
7 This is a significant impact when we are effectively not getting any service but
8 paying a hefty premium “just in case.” Moreover, because MISO does not have a
9 similar requirement, Central Power is not comparably subjected to this inequity.

10 Q. **ARE THERE OTHER DIFFERENCES BETWEEN THE SPP NITS**
11 **SERVICE AND THE MISO NITS SERVICE THAT ARE HARMFUL TO**
12 **OTTER TAIL?**

13 A. Yes, the NITS rate in SPP is substantially higher than in MISO. Based on the
14 information available, Otter Tail estimates the applicable Schedule 9 rate in SPP
15 to be in the range of \$50,000/MW-yr (Mr. Weiers describes this in his testimony).
16 In MISO, the comparable rate is in the range of \$35,000/MW-yr. With the
17 pancake that results from Central Power’s integration into SPP, Otter Tail will
18 pay almost 2.5 times what it currently pays to provide NITS to both the On
19 System and Off System Loads in SPP, but is receiving no greater level of service
20 than what they pay and receive today in MISO. Taken together (*i.e.*, paying SPP
21 On and Off System NITS *and* MISO NITS for the same loads with no added
22 benefit), the additional annual costs will force Otter Tail to choose between either
23 paying excessive and duplicative transmission service charges for the foreseeable

1 future or implementing an expensive construction plan to build redundant
2 facilities to move Otter Tail load back into MISO. Otter Tail is faced with these
3 two bad—and expensive—choices, as a direct result of Central Power’s decision
4 to transfer its assets into SPP. In his testimony, Mr. Weiers describes the Otter
5 Tail “build away” alternative in more detail.

6 **Q. ARE THERE ANY OTHER IMPACTFUL DIFFERENCES BETWEEN**
7 **THE MISO AND SPP TARIFFS?**

8 A. Yes. Because SPP uses the average of the 12 CP load from the previous year to
9 calculate the current year Load Ratio Share, even as Otter Tail begins to build off
10 the SPP system to reduce its exposure to paying twice for the same service, the
11 Load Ratio Share used to calculate Otter Tail’s Schedule 9 payment will be based
12 on the prior year’s loads. This creates a full year of “lag” during which time we
13 are overpaying for the service we are actually receiving. Mr. Retzlaff describes in
14 his testimony how this “lag” drives Otter Tail to forgo valuable rollover rights to
15 mitigate long-term financial harm caused by “the lag.”

16 **Q. DID OTTER TAIL EVALUATE OTHER OPTIONS BESIDES NITS**
17 **FROM SPP FOR THESE OFF SYSTEM LOADS?**

18 Yes. The SPP Tariff Section 31.4 also allows a Network Customer to purchase
19 firm point-to-point transmission service for Off System Loads. The option of
20 firm point-to-point service does not provide any relief from the need to pay for the
21 full load for the full period, however, and it is more expensive than NITS. This is
22 not a superior alternative. A less expensive option would be for Otter Tail to take
23 non-firm point-to-point service and simply pay the unreserved use penalty for the

1 period of time until a transmission reservation could be put into place. Because
2 the service would only be used very occasionally, Otter Tail anticipates that this
3 would be a much less costly option under SPP's billing structure, even with the
4 penalties included. Despite the lower cost, however, we do not believe non-firm
5 point to point transmission service is a superior alternative because it is
6 interruptible and there is no assurance that there would be transmission capacity
7 available under such short-term notice. NITS is the best option in order for Otter
8 Tail to reliably serve this load on a comparable basis to how it serves the balance
9 of its loads.

10 Otter Tail has a responsibility to continue to provide the highest form of reliable
11 transmission service to all of its native load, and thus, while it may only be 1 MW
12 for one hour out of the year, to maintain the ability to reliably serve its load Otter
13 Tail has no choice but to succumb to the SPP Tariff requirement for Off System
14 Load and take SPP NITS 24 hours a day, 365 days a year for the full Off System
15 Load, which may – or may not – ever even need to use a single MW of SPP
16 transmission service.

17 **Q. DOES THIS COMPLETE YOUR PREPARED TESTIMONY?**

18 **A. Yes.**

VERIFICATION

Pursuant to 28 U.S.C. § 1746, I state under penalty of perjury that the foregoing testimony is true and correct to the best of my information, knowledge, and belief.

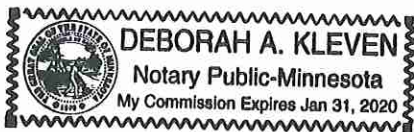
Executed this 20th day of November, 2015.

Stacie M. Hebert
Stacie M. Hebert
FERC/RTO Policy Advisor
Otter Tail Power Company

Subscribed and sworn to before me on this 20 day of November, 2015.

Deborah Kleven
Notary Public

My Commission Expires: 1/31/20



**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

SOUTHWEST POWER POOL

)

Docket No. ER16-209-000

**PREPARED DIRECT TESTIMONY OF
RYAN D. RETZLAFF**

1 **I. INTRODUCTION AND EXPERIENCE**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Ryan D. Retzlaff. My business address is 215 South Cascade Street,
4 Fergus Falls, MN 56537.

5 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

6 A. I am employed by Otter Tail Power Company (“Otter Tail”). I am the Manager of
7 Power Services for Otter Tail.

8 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL
9 BACKGROUND.**

10 A. I received a Bachelor of Arts degree in Physics from Carlton College, Northfield
11 MN in 1998. I then received two graduate degrees, Master of Science in
12 Electrical Engineering (2003) and Master of Business Administration (2006) from
13 North Dakota State University, Fargo ND. I have been employed by Otter Tail
14 for 16 years. I began employment with Otter Tail on May 1st, 1999 as a
15 Transmission and Distribution Studies Engineer. In December of 2004 I
16 transferred to the Power Services department where I served in numerous roles

1 including Senior Energy Market Engineer, Senior Energy Marketer, and Principal
2 Energy Marketer. Currently I am the Manager of the Power Services department.

3 **Q. WHAT ARE YOUR JOB RESPONSIBILITIES AT OTTER TAIL AS**
4 **THEY RELATE TO THIS PROCEEDING?**

5 A. My duties as manager focus on Otter Tail's activities in the energy and operating
6 reserves markets operated by the Midcontinent Independent System Operator, Inc.
7 ("MISO") on behalf of Otter Tail retail customers. Since the formation of MISO
8 in 2002, Otter Tail has been a transmission owner/operator, generator
9 owner/operator, and load serving entity within MISO. Otter Tail's entire load has
10 taken MISO Network Integration Transmission Service ("NITS") since the start
11 of MISO. The Power Services department is responsible for ensuring that any
12 Otter Tail load that may be moved into the Southwest Power Pool, Inc. ("SPP") as
13 a result of the decision of Central Power Electric Cooperative ("Central Power")
14 to join SPP as a transmission owning member will continue to be reliably and
15 economically served.

16 **Q. HAVE YOU PREVIOUSLY SPONSORED ANY OTHER COMMENTS OR**
17 **TESTIMONY BEFORE REGULATORY COMMISSIONS?**

18 A. No.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 A. The purpose of my testimony is to describe the impact that Central Power's
21 decision to join SPP has had and will have on Otter Tail and its customers and the
22 communication that I have had with SPP regarding taking service on Central
23 Power facilities once those facilities are placed under the SPP Tariff.

1 **Q. HOW DID OTTER TAIL RESPOND WHEN IT LEARNED THAT**
2 **CENTRAL POWER INTENDED TO JOIN SPP?**

3 A. Otter Tail immediately recognized that Central Power’s decision to join SPP
4 could impact Otter Tail’s customers. Otter Tail and Central Power have spent
5 decades jointly planning and developing integrated transmission facilities (the
6 “Integrated Transmission System”). Because of this long history and high degree
7 of integration, moving Central Power’s facilities under SPP’s Tariff has the
8 potential to change service and costs for Otter Tail. In order to assess that impact,
9 Otter Tail needed to know the specific Central Power transmission assets that
10 would be transferred into SPP. Accordingly, Otter Tail has been in frequent
11 contact with SPP and with Central Power since Otter Tail first heard that Central
12 Power was considering the move to try to find out specifics of the affected
13 facilities and also more information from SPP regarding what service, if any,
14 Otter Tail would need to take under the SPP Tariff.

15 **Q. WHAT DID OTTER TAIL LEARN THROUGH ITS CONVERSATIONS**
16 **WITH SPP?**

17 A. SPP informed Otter Tail that it must submit to SPP an application for Network
18 Integration Transmission Service (“NITS”) prior to October 30, 2015. In the
19 NITS application, Otter Tail was told that it would need to identify any Otter Tail
20 “on-system” and “off-system” load that relies on the Central Power facilities to be
21 placed under the SPP Tariff. SPP explained that “off-system load” means any
22 load that is not usually served by SPP, but may possibly rely on Central Power’s
23 facilities at some point, including an emergency or “contingency” situation. SPP

1 stated that if Otter Tail's request was not received by October 30, 2015, the SPP
2 Tariff would not allow SPP to process the request in time for Otter Tail to be
3 assured of having transmission service in place by the January 1, 2016 effective
4 date for Central Power's move to SPP. SPP also indicated that if Otter Tail did
5 not meet the October 30, 2015 deadline, Otter Tail would not be assured of having
6 transmission service on January 1, 2016, and consequently, SPP might file an
7 unexecuted service agreement against Otter Tail and charge it unreserved usage
8 penalties for not having an agreement in place to take SPP transmission service.

9 **Q. WAS IT POSSIBLE FOR OTTER TAIL TO IDENTIFY WHICH LOAD**
10 **WOULD NEED SERVICE FROM SPP UNDER THE SPP TARIFF?**

11 A. No. Without seeing detailed information about the specific facilities that Central
12 Power intended to place under the SPP Tariff, it was not possible to know which
13 Otter Tail loads would require service from SPP. Although Central Power, SPP,
14 and Otter Tail had numerous communications throughout this process, from what
15 we could discern, there was uncertainty right up to the point when SPP submitted
16 its filing minutes before 5 p.m. on October 30, 2015, regarding the specific
17 transmission facilities that Central Power would transfer to SPP versus what it
18 will instead seek to place under the MISO Tariff. Finally, midday on October 30,
19 2015, Central Power provided Otter Tail with a list of facilities that would be
20 included under the SPP Tariff. At this point, there was not adequate time for
21 Otter Tail to analyze this list of facilities and the impact on Otter Tail's own
22 system before its NITS application was due to SPP.

23 **Q. WHAT DID OTTER TAIL ULTIMATELY DECIDE TO DO?**

1 A. Otter Tail cannot risk diminished service to its customers and/or exorbitant
2 unreserved usage penalties from SPP. Consequently, despite the uncertainty,
3 Otter Tail applied for SPP NITS on October 30, 2015, for a duration of one year,
4 starting January 1, 2016, by filing a NITS application, making its best guess as to
5 the load points that may possibly need service, once the Central Power facilities
6 list is more fully studied.

7 **Q. WHY DID OTTER TAIL ONLY REQUEST SPP NITS FOR A PERIOD OF**
8 **ONE YEAR?**

9 A. According to SPP, a NITS Agreement (“NITSA”), once executed, may not be
10 terminated, but instead must expire on its own terms. Moreover, SPP uses the
11 average of the 12 coincident peak (“CP”) load from the previous year to calculate
12 the current year Load Ratio Share. Thus, if Otter Tail guessed wrong about what
13 load points needed service, under a longer term NITSA, Otter Tail would be
14 paying for service to those load points for not just one year, but for multiple years,
15 even if those loads were never served by SPP (because the relevant facilities were
16 never placed in SPP by Central Power). Otter Tail did not possess sufficient
17 details to obligate Otter Tail to pay for five years of NITS on load that may—or
18 may not—ever be required to take SPP transmission service. Unfortunately,
19 however, because the SPP Tariff requires a minimum term of service of five years
20 in order to qualify for rollover rights, Otter Tail will not have rollover rights for
21 any load that may remain in SPP long-term.

22 **Q. HOW DID OTTER TAIL IDENTIFY LOADS THAT WOULD NEED**
23 **SERVICE IN ORDER TO COMPLETE THE NITS APPLICATION?**

1 A. Because we did not have adequate information about the facilities that Central
2 Power intended to include under the SPP Tariff, we were forced to complete the
3 NITS application based on our best guess as to the facilities that Central Power
4 would include. Otter Tail communicated to SPP its concern with the timing and
5 lack of adequate information and requested some flexibility in light of the
6 circumstances. SPP insisted that Otter Tail meet the October 30, 2015 deadline.
7 In our October 30, 2015 NITS transmission service request submission, submitted
8 in compliance with SPP's stated deadline, we again requested an opportunity for
9 further discussion to allow adequate time for us to ascertain what Otter Tail loads
10 would be moved into SPP for purposes of transmission service. *See Attachment,*
11 *Email of R. Retzlaff dated Oct. 30, 2015.* Not only was our request for a call
12 ignored, but on November 2, we received an email telling us that we must commit
13 by November 15, 2015 for the off-system NITS load.

14 **Q. HOW WILL CENTRAL POWER'S DECISION TO PLACE ITS**
15 **FACILITIES UNDER THE SPP TARIFF IMPACT OTTER TAIL AND ITS**
16 **CUSTOMERS?**

17 A. With Central Power transferring the Integrated Transmission System facilities that
18 it owns to SPP and Otter Tail keeping the Integrated Transmission System
19 facilities that it owns in MISO, Otter Tail will be required to request SPP
20 transmission over some of the Integrated Transmission System facilities. The
21 result is that Otter Tail is now required to pay twice—once to MISO and again to
22 SPP—for the same level of service that it has always received. In response to
23 SPP's October 30, 2015 deadline, Otter Tail was required to request transmission

1 service for approximately 77 MW of “on-system” peak load that is connected
2 with the transmission assets that Otter Tail anticipated that Central Power would
3 be transferring to SPP (though still served directly off of Otter Tail’s 41.6 kV
4 transmission system) and another approximately 34 MW of “off-system” peak
5 load that, in a contingency event, could potentially use transmission assets that
6 Otter Tail anticipated that Central Power would be transferring to SPP, but that is
7 normally served by MISO high voltage transmission facilities (and is served
8 directly off of Otter Tail’s 41.6 kV transmission system). These 77 MW and
9 34 MW figures represent Otter Tail’s winter peak demand, as required by the SPP
10 NITS application.

11 **Q. DID THE TRANSMISSION SYSTEM CONFIGURATION CHANGE TO**
12 **CAUSE OTTER TAIL TO NOW HAVE TO TAKE SPP TRANSMISSION**
13 **SERVICE FOR THE SAME LOAD THAT IS ALSO TAKING MISO**
14 **TRANSMISSION SERVICE?**

15 A. No. The configuration has not changed. Otter Tail’s load is still directly
16 interconnected to Otter Tail’s 41.6 kV transmission system that has been and will
17 continue to be in MISO. The only thing that is changing is that Central Power has
18 joined SPP and transferred its transmission facilities under the SPP Tariff.

19 **Q. DID OTTER TAIL EVALUATE OTHER OPTIONS BESIDES TAKING**
20 **SPP NITS?**

21 A. Yes. We considered the option of a long-term NITS request (*i.e.* five years) in
22 order to obtain the important benefit of rollover rights. For the reasons that I
23 identified at page 5, above, however, we determined that we did not have

1 sufficient information to obligate Otter Tail to pay for five years of NITS charges
2 that may or may not be required, depending on the content of the Central Power
3 filing. Other alternatives for Otter Tail to reliably serve its load under the SPP
4 Tariff included NITS on an annual basis (losing any rollover rights) or Firm
5 Point-to-Point service. Firm Point-to-Point service is more expensive than NITS
6 service. Firm Point-to-Point service is generally not a prudent long-term option
7 because it gives a lower priority to load when system conditions may require
8 curtailment, thus placing greater risk to Otter Tail's load and putting Otter Tail's
9 load subpar to Central Power's, which is counterintuitive for loads that are using
10 the same Integrated Transmission System. For these reasons, Otter Tail selected
11 the option of a 1-year NITS request.

12 **Q. WHEN WILL OTTER TAIL BE REQUIRED TO EXECUTE A NITSA?**

13 A. SPP has explained to me that upon our submittal, SPP will review the Otter Tail
14 NITS application. Upon completion of the SPP review and acceptance of the
15 associated OASIS transmission service requests, Otter Tail will have fifteen days
16 to confirm the service. Once Otter Tail confirms, it will be required to pay for the
17 requested SPP service, regardless of whether Otter Tail ultimately ends up
18 needing such service. Based on this information, I expect that by mid-December,
19 Otter Tail will be forced to accept a service that may not be the optimal service
20 for Otter Tail's load by executing a NITSA, or lose the request and face the risk
21 of having no confirmed service on January 1, 2016 *and* the possibility of SPP
22 filing an unexecuted service agreement, making Otter Tail subject to harsh
23 penalties.

1 Q. **DOES THIS COMPLETE YOUR PREPARED TESTIMONY?**

2 A. Yes.

Attachment A

Retzlaff, Ryan

From: Retzlaff, Ryan
Sent: Friday, October 30, 2015 4:42 PM
To: ATSS@SPP.org; DPT@SPP.org; LTSR@SPP.org
Subject: Otter Tail Power Company NITS application
Attachments: Statement of Attestation_Signed.pdf; Master template SPP NITS Application for Aggregate Studies revised 150904 OTP.xls

To: Manager of Transmission Service Studies, Southwest Power Pool

Please find attached Otter Tail Power Company's (Otter Tail) completed Southwest Power Pool (SPP) NITS application, with the associated SPP OASIS TSR number. Please also find attached one Statement of Attestation for Network Service.

Please note that Otter Tail is submitting this application on October 30, 2015 because we have been instructed by SPP personnel that we must make this submission no later than November 1, 2015 in order to receive service beginning January 1, 2016. It is Otter Tail's understanding that transmission service will be required due to the upcoming integration of Central Power Electric Cooperative (Central Power) into SPP (anticipated to be proposed with an effective date of January 1, 2016). As of this moment, Otter Tail is uncertain as to when Central Power will be filing to become an SPP member, what that filing may entail, whether FERC will accept that filing, and what effective date may be assigned to the transfer of transmission facilities, if accepted. Furthermore, Otter Tail has yet to see the specifics regarding this proposed filing and integration. In order to ensure accuracy of this application Otter Tail will need to know the associated Central Power facilities that will be included in the SPP integration, among other things.

Otter Tail is requesting that SPP would wait to accept this NITS application to allow for continued dialogue. OTP still needs to understand the specifics of the Central Power filing and integration before acceptance of this application by SPP. Otter Tail believes understanding these details will likely result in a need to update or correct our attached SPP NITS application.

Thank you,

Ryan Retzlaff

*Manager, Power Services
Otter Tail Power Company
218-739-8588
rretzlaff@otpc.com*

VERIFICATION

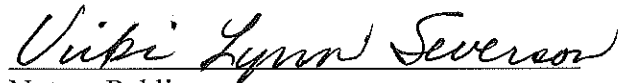
Pursuant to 28 U.S.C. § 1746, I state under penalty of perjury that the foregoing testimony is true and correct to the best of my information, knowledge, and belief.

Executed this 20th day of November, 2015.

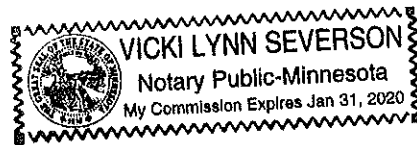


Ryan D. Retzlaff
Manager, Power Services
Otter Tail Power Company

Subscribed and sworn to before me on this 20th day of November, 2015.



Notary Public



My Commission Expires: Jan. 31, 2020

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

SOUTHWEST POWER POOL

)

Docket No. ER16-209-000

**PREPARED DIRECT TESTIMONY OF
JASON WEIERS**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Jason J. Weiers. My business address is 215 South Cascade Street,
3 Fergus Falls, MN 56537.

4 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

5 A. I am employed by Otter Tail Power Company (“Otter Tail”). I am the Manager of
6 Delivery Planning for Otter Tail.

7 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**
8 **BACKGROUND.**

9 A. I graduated from North Dakota State University with a Bachelor of Science
10 degree in Electrical and Electronics Engineering. I am currently a registered
11 professional engineer in the State of Minnesota and an active member of the Red
12 River Valley chapter of the Institute of Electrical and Electronics Engineers
13 (“IEEE”). I have been an employee with Otter Tail for the past 15 years.

14 **Q. WHAT ARE YOUR JOB RESPONSIBILITIES AT OTTER TAIL AS**
15 **THEY RELATED TO THIS PROCEEDING?**

16 A. Over the course of the past 15 years at Otter Tail Power Company, I have held
17 positions in various capacities in the Delivery Planning Department. Currently, I

1 manage the Delivery Planning Department. I am responsible for managing Otter
2 Tail's long range transmission planning process to ensure adherence with all
3 applicable local, regional, and national reliability standards in an economical
4 manner while incorporating our "bottom-up plan" into the Midcontinent
5 Independent System Operator's ("MISO") robust regional planning process. I
6 oversee the development of the engineering analysis, strategy, and support for
7 strategic transmission projects including supporting regulatory recovery filings for
8 such projects. I manage the development and prioritization of Otter Tail's
9 company-wide five-year capital budget and make capital budget project
10 recommendations to the Otter Tail executive team. I am also responsible for
11 managing and overseeing the negotiation and long-term administration for all
12 transmission related contracts, including integrated transmission agreements,
13 generation interconnections and other transmission-related agreements. I have
14 been actively engaged in numerous external planning activities during my 15
15 years at Otter Tail, having served on the Mid-Continent Area Power Pool
16 Planning Standards Working Group, being a MAPP representative on the
17 National Electric Reliability Corporation's Interconnection Dynamics Working
18 Group and a member of the Technical Review Committee involved in the
19 Minnesota Renewable Integration Transmission Study during 2014. I have also
20 been actively engaged in the span of MISO's planning activities including the
21 Planning Subcommittee, Planning Advisory Committee, and representing Otter
22 Tail at Subregional Planning Meetings. I was one of the planning engineers that
23 took an active role in MISO's Regional Generator Outlet Study and Multi-Value

1 Project studies, also being engaged in the CapX2020 Technical Team during my
2 tenure at Otter Tail. Currently, I am the chair of the Midwest Reliability
3 Organization's ("MRO") Transmission Assessment Subcommittee and also serve
4 as an elected member of the MRO's Planning Committee. Included in these
5 duties, I have direct responsibility for administration of the Integrated
6 Transmission Agreement ("ITA") between Central Power Electric Cooperative
7 ("Central Power") and Otter Tail and have been involved in coordination with
8 Central Power of the Integrated Transmission System ("ITS").

9 **Q. HAVE YOU SPONSORED ANY OTHER COMMENTS OR TESTIMONY**
10 **BEFORE REGULATORY COMMISSIONS?**

11 A. Yes. I have sponsored testimony in numerous proceedings involving the support
12 for specific transmission projects and the recovery of such projects in various
13 state regulatory proceedings in the three states in which Otter Tail does business –
14 Minnesota, North Dakota, and South Dakota. I have not previously sponsored
15 testimony filed with Federal Energy Regulatory Commission.

16 **Q. ARE YOU SPONSORING ANY EXHIBITS IN CONNECTION WITH**
17 **YOUR TESTIMONY?**

18 A. Yes. I am sponsoring the following exhibits that were prepared under my
19 direction and supervision:

20 Attachment A: A schematic reflecting the complexity of load switching
21 between SPP and MISO as necessary to optimize operation of the
22 Otter Tail and Central Power ITS.

1 Attachment B: A detailed analysis of the annual financial impact to Otter
2 Tail of Central Power transferring control of certain facilities to
3 SPP.

4 **Q. WHAT IS THE PURPOSE OF YOUR AFFIDAVIT?**

5 A. The purpose of my testimony is to explain the interwoven and complex nature of
6 the integrated transmission system of Otter Tail and Central Power, which has
7 served the parties' customers comparably and reliably for more than half a
8 century. I will also explain the economic impacts to Otter Tail and its customers
9 resulting from Central Power's decision to transfer its discretely owned
10 transmission facilities to the Southwest Power Pool, Inc. ("SPP") within the Otter
11 Tail-Central Power Integrated Transmission System ("ITS") as proposed in FERC
12 Docket No. ER16-209-000 ("Central Power Filing"). Additionally, I will
13 describe the operational impacts on Otter Tail's native load due to Central
14 Power's decision to join SPP, including the isolation of certain Otter Tail load
15 from the remainder of the Midcontinent Independent System Operator, Inc.
16 ("MISO"). Finally, I will describe the options that Otter Tail has explored to
17 mitigate these economic and operational impacts.

18 **Q. PLEASE DESCRIBE THE DEVELOPMENT OF THE INTEGRATED**
19 **TRANSMISSION SYSTEM JOINTLY DEVELOPED BY CENTRAL**
20 **POWER AND OTTER TAIL.**

21 A. Otter Tail Power Company was established in 1908. By the time the Rural
22 Electrification Act was enacted and Central Power became a rural electric
23 cooperative in 1949, Otter Tail had established an extensive 41.6 kilovolt ("kV")

1 transmission backbone in the common service territory footprint of Otter Tail and
2 Central Power. Given the remote, rural, and sparsely populated area of the Otter
3 Tail and Central Power common footprint, the parties recognized that it was
4 appropriate to try to achieve efficiencies through use of a common transmission
5 system instead of planning and constructing overlapping and redundant facilities
6 to serve their respective loads in this remote portion of North Dakota.¹
7 Consequently, it was mutually decided back in the 1950s that Central Power
8 would interconnect to Otter Tail's existing 41.6 kV transmission backbone to
9 serve their customers in the most cost efficient manner possible. As a result of
10 this early arrangement between Otter Tail and Central Power, the Integrated
11 Transmission System ("ITS") began and was formally documented through an
12 Integrated Transmission Agreement ("ITA") in 1958.

13 **Q. HOW DID THE INTEGRATED TRANSMISSION SYSTEM EVOLVE?**

14 **A.** The ITS resulted from the joint planning, coordination and development of Otter
15 Tail and Central Power through the ITA dating back to 1958. Through this
16 agreement, Otter Tail and Central Power agreed to construct, own, and operate
17 transmission facilities along a common transmission system and granted each
18 other reciprocal rights to use the other party's discretely owned transmission
19 facilities throughout the ITS. Otter Tail and Central Power jointly plan the
20 projects, but each party independently owns its own facilities within the ITS.
21 The decision of what specific facilities will be owned by each party at which
22 location didn't matter during the development of the ITS since it was viewed as a

¹ This area is rural, sparsely populated, and financially depressed. According to data available on the United States Census Bureau's website, the estimated 2013 per capita annual income for the towns that Otter Tail serves in the ITS footprint was approximately \$15,000.

1 joint transmission system being developed for the common good of both parties.
2 Therefore, when system enhancements were needed regardless of what project in
3 which location, Otter Tail and Central Power decided which party should make
4 the new investment based on cost responsibilities dictated by each parties'
5 respective loads served by the ITS. Given that Otter Tail owned the 41.6 kV
6 transmission system when Central Power was seeking to electrify new rural
7 customers in this area, Otter Tail was significantly overinvested in the ITS
8 relative to Central Power because of our prior investment to get the 41.6 kV
9 transmission system developed. As Central Power interconnected more load to
10 the existing 41.6 kV transmission system, the existing system needed
11 reinforcements to support the customers of both Otter Tail and Central Power.
12 Given that Central Power was relatively underinvested in the ITS from a load-
13 ratio share perspective, Central Power was responsible for increasing the
14 capability of the system when the need for system reinforcements was identified
15 in order to drive towards a load ratio balance of investment in the facilities
16 encompassed by the ITS.² Consequently, the resulting ITS has discrete facility
17 ownership on a patchwork basis (e.g., Otter Tail may own one segment of the line
18 and Central Power may own the high voltage substation connected to the Otter
19 Tail segment). Throughout the ITS, it is very common for Otter Tail and Central
20 Power loads to be served on an Otter Tail-owned 41.6 kV transmission line
21 connected to a Central Power owned high voltage substation. As a result of this
22 long standing relationship between Otter Tail and Central Power, the transmission

² Section 4.3(e) of Supplement No. 7 to the Otter Tail / Central Power ITA dated November 21, 1973 provides that “[i]t is the intent that Central [Power] shall have the right and obligation hereunder to provide the necessary additions to the Integrated [Transmission] Systems until equalization is achieved.”

1 facilities of both parties have been highly integrated and rely on one another in
2 order to maximize the efficiency and reliability of the transmission system. See
3 Attachment A. The Otter Tail facilities included as part of the ITS are a subset of
4 the total Otter Tail transmission facilities.

5 **Q. HOW IS THE INTEGRATED TRANSMISSION SYSTEM**
6 **CONFIGURED?**

7 A. Due to the large distance between loads on the ITS (generally 10 - 50 miles, with
8 some towns separated by more than 50 miles), Central Power and Otter Tail have
9 sectionalized the system by establishing normal open switches along the 41.6 kV
10 transmission system to promote efficiency and reliability. See Attachment A.
11 This configuration results in specific 41.6 kV line segments and native load
12 customers served from dedicated high voltage sources for normal system
13 conditions. However, these normal open switches can be reconfigured to
14 resectionalize these same 41.6 kV line segments and native load customers to be
15 served from alternative high voltage sources during abnormal (“contingency”)
16 conditions. This configuration promotes efficiency by minimizing flows across
17 the 41.6 kV transmission system while maximizing reliability to customers.
18 Having these normal open switches helps minimize exposure to interruptions on
19 the 41.6 kV system related to unexpected interruptions and allows protective
20 relaying equipment to expeditiously detect and clear system faults.

21 **Q. PLEASE DESCRIBE OTTER TAIL’S CONCERN WITH THE CENTRAL**
22 **POWER FILING.**

1 A. The integrated transmission system that has been jointly planned, developed, and
2 operated over sixty-five years is now being broken apart into two RTOs. Given
3 that the transmission system serving the native load customers of both Otter Tail
4 and Central Power is not changing as a result of the Central Power Filing, there
5 should not be additional charges to either party – and especially not to Otter Tail,
6 since it was Central Power’s decision to join SPP. The transmission system is the
7 same today as it will be after December 31, 2015. Yet Otter Tail customers will
8 be forced to pay duplicate costs as a result of the Central Power Filing. I do not
9 believe this is reasonable or what the Commission intended it adopted Order
10 No. 2000.

11 **Q. PLEASE EXPLAIN THE RTO-TO-RTO SEAM IMPACT THAT YOU**
12 **REFERENCE.**

13 A. The RTO-to-RTO seam created by the Central Power Filing is complex. As I
14 mentioned previously, physical ownership of the facilities in the ITS is non-
15 contiguous with Central Power and Otter Tail each owning separate Points of
16 Delivery (“distribution deliveries”) along a common transmission line. For
17 example, in some locations, Otter Tail owns the high voltage transmission line
18 serving a Central Power owned high voltage substations connected to Otter Tail
19 owned 41.6 kV transmission facilities with intermingled distribution deliveries to
20 both Otter Tail and Central Power customers. See Attachment A. Alternatively,
21 Central Power may own a high voltage transmission line serving a Central Power
22 owned high voltage substation connected to Otter Tail owned 41.6 kV

1 transmission facilities serving distribution deliveries of both Otter Tail and
2 Central Power customers. See Attachment A.

3 As mentioned above, Central Power and Otter Tail have sectionalized the
4 system by establishing normal open switches along the 41.6 kV transmission
5 system to promote efficiency and reliability. This configuration results in specific
6 41.6 kV line segments and native load customers served from dedicated high
7 voltage sources for normal system conditions. However, these normal open
8 switches can be reconfigured to resectionalize these same 41.6 kV line segments
9 and native load customers to be served from alternative high voltage sources
10 during abnormal (“contingency”) conditions. Reconfiguring the 41.6 kV
11 transmission system by changing the location of normal open switches is done to
12 minimize interruption time to customers during contingency conditions.
13 Currently, when Otter Tail, as transmission operator, changes a switch from its
14 normal operating state (i.e., open a normally closed switch or close a normally
15 open switch) to address contingency conditions, load may switch from the Central
16 Power owned high voltage transmission line or substation to an Otter Tail owned
17 high voltage transmission line or substation, and vice versa. As a result of the
18 Central Power Filing, changing the location of normal open switches will now
19 result in moving load from one RTO to another RTO. This new RTO-to-RTO
20 seam will cause an unjust and unreasonable economic impact to Otter Tail that is
21 not acceptable.

22 **Q. PLEASE DESCRIBE THE ECONOMIC IMPACT OF THE CENTRAL**
23 **POWER FILING ON OTTER TAIL.**

1 A. SPP has advised us that Otter Tail must take transmission service for load that not
2 only uses the SPP transmission system during normal conditions, but also for load
3 that *may* use the SPP transmission system during contingencies, even if it never
4 actually uses the SPP system (e.g. if the normal open switch is never closed).
5 According to SPP, if Otter Tail does not take NITS for such load, then it would
6 only receive service when there is SPP system capacity available. Otter Tail is
7 not comfortable with the risk of taking SPP service on an “as available” basis and
8 the disparity of service that may arise between adjacent Points of Delivery owned
9 by Otter Tail and Central Power along the same transmission line. Therefore,
10 Otter Tail is forced with paying not only for our load that is normally served from
11 the SPP system, but also for the load that may never be sourced by SPP
12 transmission in order to get comparable treatment with Central Power load.

13 The provisions of the SPP Tariff are further problematic for Otter Tail
14 because if we have an event that requires changing the status of normally open
15 switches to move load to an alternative source during an unplanned contingency
16 such as a system emergency, we may not have adequate time to secure short-term,
17 non-firm service. Without this transmission service secured ahead of time, Otter
18 Tail has been told that SPP will assess an unreserved penalty fee for taking
19 transmission service that was not arranged ahead of time. During situations that
20 require changing normally open switches to address system contingencies, the on-
21 shift power system operators are focused on restoring service to customers as
22 quickly and safely as possible. A requirement to pre-arrange transmission service
23 prior to restoring customers following an outage will further delay the ability of

1 the on-shift power system operators to restore service expeditiously.
2 Furthermore, the contingency on the transmission system requiring a change in
3 the location of normally open switches may only be temporary in nature (*i.e.* 1-2
4 hours), but the unreserved penalties will be applied for a period of no less than 24
5 hours. The application of unreserved penalties in SPP forces Otter Tail to choose
6 between paying for around-the-clock transmission service for additional load in
7 SPP to have protection in the rare and brief occurrence of an unplanned
8 contingency or delaying restoration of service to customers until short-term
9 transmission arrangements can be secured to avoid this cost exposure, neither of
10 which is reasonable in the circumstances.

11 The following table entitled, “Estimated Economic Impacts of the Central
12 Power Filing On Otter Tail Power Company” (Table 1), demonstrates the
13 economic impact of the proposed transfer of Central Power’s transmission assets
14 to SPP. I explain the calculation of the estimates provided in Table 1 in the
15 succeeding questions and include further detail in Attachment B.

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**Table 1. Estimated Economic Impacts of the Central Power Filing
on Otter Tail Power Company**

| | | |
|------------|---|---------------|
| 1. | Annual SPP Schedule 9 Assessed On Otter Tail | \$3,619,200 |
| 2. | Annual SPP Schedule 11 | \$164,850 |
| 3. | Annual SPP Schedule 1A | \$256,230 |
| 4. | Annual SPP Schedule 1 | \$92,625 |
| 5. | Annual SPP Schedule 12 | \$48,422 |
| 6. | Annual cost for additional staff [3 FTE] | \$225,000 |
| 7. | Annual software license | \$30,000 |
| 8. | One time development of software for shadow settlements | \$25,000 |
| 9. | Total Annual SPP Costs | \$4,461,327 |
| 10. | MISO Schedule 9 revenues (% allocated to Otter Tail) from MISO Schedule 9 for CPEC load in MISO | (\$2,500,000) |
| 11. | MISO Section 30.9 transmission credits to CPEC (OTP %) | \$1,000,000 |
| 12. | Total Annual MISO Revenues to Otter Tail from CPEC load in MISO | (\$1,500,000) |
| 13. | Total Annual Net Impact to Otter Tail | \$2,961,327 |

4

5

1 **Q. PLEASE EXPLAIN HOW THE \$3,619,200 CHARGE IN LINE 1 OF**
2 **TABLE 1 WAS DERIVED.**

3 A. The \$3,619,200 represents the annual estimated costs from SPP Schedule 9
4 (Network Integration Transmission Service or “NITS”) for the Otter Tail load that
5 currently takes MISO NITS and will now additionally be subject to the SPP NITS
6 charge as a result of the Central Power Filing.

7 The SPP Schedule 9 rate applied in Table 1 is based on the most recently
8 available information (i.e., October 2015) posted on SPP’s website for the Upper
9 Missouri Zone (UMZ). Using the Annual Transmission Revenue Requirement
10 (“ATRR”) of \$245,814,829 and the corresponding load of 5094 MW within the
11 UMZ, the resulting NITS rate of \$48,256/MW-Yr was derived for the UMZ
12 (which does not yet include the addition of Central Power load or facilities
13 proposing to be added to the derivation of the UMZ NITS rate). The annual
14 charge of \$3,619,200 is determined by multiplying the rate of \$48,256/MW-Yr by
15 75 MW. The 75 MWs of Otter Tail load represents an average of our 12 monthly
16 peak loads impacted by the Central Power Filing over the course of one year that
17 would correspond to the time of the monthly peak loads within the UMZ. (“12
18 coincident peak (CP) load”)³.

19 **Q. PLEASE DESCRIBE THE DETAILS OF THE “ON SYSTEM” AND “OFF**
20 **SYSTEM” LOAD THAT MAKES UP OTTER TAIL’S ESTIMATE OF 75**
21 **MW.**

³ This estimate is based on applying an 80% coincidence factor to Year 2014 actual coincident peak demand data.

1 A. Although Otter Tail's estimate of load in SPP may be greater than 75 MW in
2 some of the winter months, most of the summer months have Otter Tail load
3 lower than 75 MW. The 75 MW load estimate reflects the average of Otter Tail's
4 12 monthly peak loads in SPP during a given year for its on-system load (55 MW)
5 and off-system load (20 MW).

6 **Q. WHAT IS OFF-SYSTEM LOAD AND HOW IS IT TREATED WITHIN**
7 **THE SPP TARIFF WHEN CONSIDERING SPP TRANSMISSION**
8 **SERVICE?**

9 A. The off-system load represents Otter Tail (MISO) load that would be normally
10 served from the MISO transmission system, but which has the ability to switch
11 onto the SPP transmission system depending on the position of normally open
12 switches at any given time. Based on past operating experience, events that lead
13 to changing the position of normal open switches occurs very infrequently, (*e.g.*,
14 less than 2% of the year) and when this does occur, it is most likely that one (1) or
15 two (2) MW (rarely as much as 5 MW) of Otter Tail's MISO load would be
16 switched onto SPP transmission facilities. Unfortunately, SPP's Tariff requires
17 Otter Tail to take and pay for SPP NITS for the off-system load or risk the
18 inability to reliably serve such load under contingency conditions that may occur
19 on the ITS. In contrast, because MISO does not require that parties pay NITS for
20 off-system load unless their load actually uses MISO transmission, Central Power
21 will not be required to pay for MISO NITS for their off-system load until a
22 normally open switch is closed to cause Central Power load to use MISO
23 transmission, and then it is only for the time that it uses the MISO system.

1 **Q. PLEASE EXPLAIN HOW YOU DERIVED A CHARGE OF \$164,850 IN**
2 **LINE 2 OF TABLE 1.**

3 A. Line 2 of Table 1 includes an estimated charge of \$164,850 to Otter Tail for SPP
4 Schedule 11. Schedule 11 is the mechanism for SPP regional cost allocation,
5 which assesses a portion of these costs both regionally and locally. These costs
6 were calculated on the same basis as the costs explained in line 1 of Table 1 using
7 the same Otter Tail load estimate of 75 MW and the posted zonal and regional
8 ATRR along with the associated load within the UMZ for Schedule 11.
9 Combining the zonal and regional components of Schedule 11 results in a rate of
10 \$2,198/MW-Yr for 2016 within the UMZ. Applying this rate to the Otter Tail
11 load estimate of 75 MW results in an annual impact of \$164,850 during 2016,
12 however, our research of the Schedule 11 forecasted rates indicate this charge will
13 markedly increase over the next five to ten years.

14 **Q. PLEASE EXPLAIN THE \$256,230 IMPACT ON LINE 3 OF TABLE 1.**

15 A. Line 3 of Table 1 represents the annual impact of SPP Schedule 1A on Otter Tail
16 due to the Central Power Filing. Schedule 1A represents a tariff administration
17 charge from SPP that is applied to loads that are paying for SPP transmission
18 service. The annual impact of \$256,230 was calculated by multiplying Otter
19 Tail's load estimate of 75 MW by the SPP Schedule 1A rate of \$0.39 per MW per
20 hours in a year ($\$0.39 * 75 \text{ MW} * 8760 \text{ hrs}$). The rate information for SPP
21 Schedule 1A was gathered from publicly available sources.

22 **Q. PLEASE EXPLAIN LINE 4 OF TABLE 1.**

1 A. SPP Schedule 1 charges incurred by Otter Tail due to the Central Power Filing are
2 estimated on Line 4 of Table 1. Schedule 1 represents a charge associated with
3 services associated with scheduling, control and dispatch of transmission
4 reservations on the SPP transmission system. The RTO rate of \$1,235/MW-Yr
5 was gathered from public sources and applied to the Otter Tail load estimate of 75
6 MW to calculate an annual impact of \$92,625 to Otter Tail during 2016.

7 **Q. WHAT CHARGE IS INCLUDED ON LINE 5 OF TABLE 1 AND WHAT**
8 **DOES IT REPRESENT?**

9 A. An annual impact of \$48,422 was estimated for Otter Tail on Line 5 of Table 1.
10 This represents SPP Schedule 12, which is a FERC assessment charge passed
11 along to loads paying for transmission service within SPP. The annual impact of
12 \$48,422 was calculated by applying the SPP posted rate of \$0.0737 times the
13 Otter Tail load estimate times the number of hours per year ($\$0.0737 * 75 \text{ MW} * 8760 \text{ hrs}$).
14

15 **Q. WHAT DOES LINE 6 OF TABLE 1 INCLUDE?**

16 A. Line 6 of Table 1 represents the estimated annual labor cost of three new Otter
17 Tail employees to proactively handle our load in SPP. We anticipate that we
18 would need approximately three new full time equivalent (“FTE”) employees to
19 administer the additional workload that will be required for having load in two
20 RTOs, whereas prior to the Central Power Filing, all Otter Tail load was in one
21 RTO. These three new full-time employees would be envisioned to assist in the
22 coordination of system models and maps with SPP, support a real-time
23 communications interface through the Energy Management System with SPP

1 and/or its associated Transmission Operators, reconcile metering errors and
2 assistance with the SPP settlements process, and actively follow SPP stakeholder
3 activities through a variety of planning, operations, policy, and markets groups
4 active within SPP to ensure no unintended consequences and/or charges are
5 imposed upon Otter Tail's customers as a result of now being forced into a second
6 RTO. These three new employees were assumed to have an average annual
7 income of \$75,000 per year for a total annual impact of \$225,000.

8 **Q. PLEASE EXPLAIN THE COSTS LISTED IN LINES 7 AND 8 OF TABLE**
9 **1.**

10 A. In total, lines 7 and 8 of Table 1 equal \$55,000 and are related to purchasing,
11 implementing, and maintaining a software program to shadow the SPP
12 settlements process. The cost of purchasing and implementing a software
13 program to shadow the SPP settlement process is expected to cause Otter Tail to
14 incur a one-time cost approximately \$25,000. Once the software is operational, a
15 monthly maintenance cost of \$2500 is anticipated leading to an on-going annual
16 impact of \$30,000.

17 **Q. PLEASE EXPLAIN LINE 10 OF TABLE 1.**

18 A. The amount of \$2,500,000 listed in line 10 of Table 1 reflects a share of the MISO
19 Schedule 9 (NITS) revenue that Otter Tail will receive annually as a result of a
20 portion of Central Power's load embedded within MISO within the Otter Tail
21 pricing zone. The annual revenues of \$2,500,000 is based on an assumption of
22 approximately 100 MW of Central Power load connected to Otter Tail's 41.6 kV
23 system throughout the Integrated Transmission System will pay the posted Otter

1 Tail pricing zone rate of \$35,722 for MISO NITS. This additional annual revenue
2 will offset some of the impact to Otter Tail and its customers arising from the
3 Central Power Filing, and is therefore included in the assessment of economic
4 impact to Otter Tail and its customers.

5 **Q. PLEASE EXPLAIN THE \$1,000,000 ECONOMIC IMPACT ON LINE 11**
6 **OF TABLE 1.**

7 A. The SPP Tariff does not readily accommodate transmission facilities below 60 kV
8 for inclusion in an SPP transmission owner's ATRR. As a result, Central Power
9 has informed Otter Tail that they intend to include many of their facilities
10 operated below 60 kV under the MISO Tariff for Section 30.9 transmission
11 facility credits. Consequently, the \$1,000,000 annual expense to Otter Tail on
12 Line 11 of Table 1 reflects the portion of obligation that Otter Tail will have to
13 pay within MISO to ensure that Central Power receives its corresponding facility
14 credits they are planning to request under section 30.9 of the MISO tariff.

15 **Q. LINE 13 OF TABLE 1 STATES, "TOTAL ANNUAL NET IMPACT TO**
16 **OTTER TAIL." PLEASE EXPLAIN.**

17 A. The Total Annual Net Impact to Otter Tail as a result of the Central Power Filing
18 is included in Line 13 of Table 1 as \$2,961,327. This is a summary of all of the
19 estimated charges and revenues associated with the Central Power Filing. This
20 nearly \$3 Million annual impact is unacceptable to Otter Tail. Otter Tail's load is
21 less than 0.15 percent of the total SPP load. However, the financial impact on
22 Otter Tail required to accommodate the Central Power Filing is substantial. The
23 \$3 million per year is approximately 12 percent of Otter Tail's total transmission

1 operations and maintenance expenses from 2014, including regional transmission
2 expansion expenses in MISO.

3 **Q. ARE THE ANNUAL IMPACTS INCLUDED IN TABLE 1 CONSIDERED**
4 **A CONSERVATIVE VIEW OF OTTER TAIL'S FINANCIAL IMPACT AS**
5 **A RESULT OF THE CENTRAL POWER FILING?**

6 A. Yes. The estimates shown in Table 1 and described above have focused on an
7 annual impact to Otter Tail during 2016. Other than the potential one-time
8 software purchase and implementation, the remaining components of the annual
9 impact represent a conservative view for the following reasons:

- 10 a. Otter Tail, similar to other utilities in the nation, is experiencing load
11 growth that will result in more load being subject to SPP tariff charges in
12 future years; and
- 13 b. Schedule 9 rates for the UMZ are also variable depending on load growth
14 and new transmission projects. Transmission projects in western North
15 Dakota are expected to cause upward pressure on the Schedule 9 rate for
16 the UMZ.
- 17 c. Schedule 2 has not been quantified in this financial analysis. Otter Tail
18 load forced to pay for SPP transmission service will be subject to SPP
19 Schedule 2 related to reactive support and voltage control, notwithstanding
20 the fact that our own generation is in close proximity to the SPP system
21 providing the required reactive support to maintain system reliability.
22 Schedule 2 rates for the UMZ were not available at the time of this filing;
23 and

- 1 d. Marginal congestion and marginal losses that Otter Tail load will be
 2 subject to in SPP have not been quantified due to a lack of historical
 3 market prices to be able to derive a reasonable estimate; and
 4 e. SPP Schedule 11 rates for the UMZ are forecasted to increase dramatically
 5 over the next 5-10 years from the stated rates for 2016.

6 The largest factor for future impacts to Otter Tail is the quickly increasing
 7 Schedule 11 rate for the UMZ. This cost exposure to Otter Tail load paying for
 8 SPP Schedule 11 is expected to increase nearly four times (400%) from 2016
 9 posted rates by 2020, as shown in the table below.

| Year | Rate | Unit | % Increase from 2016 |
|-------------|-------------|-------------|---|
| 2016 | \$2,198 | \$/MW-Yr | --- |
| 2017 | \$4,518 | \$/MW-Yr | 205.53% |
| 2018 | \$6,194 | \$/MW-Yr | 281.80% |
| 2019 | \$7,858 | \$/MW-Yr | 357.47% |
| 2020 | \$8,231 | \$/MW-Yr | 374.46% |
| 2021 | \$8,572 | \$/MW-Yr | 389.96% |
| 2022 | \$8,548 | \$/MW-Yr | 388.88% |
| 2023 | \$8,310 | \$/MW-Yr | 378.03% |
| 2024 | \$8,071 | \$/MW-Yr | 367.19% |
| 2025* | \$7,833 | \$/MW-Yr | 356.34% |

*2025 is estimated by Otter Tail

1 **Q. WOULD OTTER TAIL FACE THESE SAME ECONOMIC IMPACTS IF**
2 **CENTRAL POWER HAD ELECTED TO JOIN MISO INSTEAD OF SPP?**

3 A. If Central Power had joined MISO instead of SPP, the ITS developed by Otter
4 Tail and Central Power would all be under the MISO tariff. The license plate rate
5 design within MISO would permit the parties to only pay the Otter Tail pricing
6 zone rate in MISO—the loads would therefore be paying one rate, and both
7 Central Power and Otter Tail loads would be treated comparably. In contrast,
8 because Central Power has decided to join SPP, the loads connected to the ITS are
9 subjected to two rates; one from SPP for Central Power Facilities proposed to be
10 transferred under SPP, and one from MISO for Otter Tail 41.6 kV transmission
11 under MISO. Furthermore, the location of normally open switches that could
12 move Otter Tail-MISO load into SPP, or Central Power load into MISO would
13 not be as complicated if Central Power had moved their facilities under MISO.
14 Given Central Power’s decision to move their facilities under SPP, Otter Tail
15 must take MISO NITS *and* SPP NITS to serve the same load, even though that
16 load will be served off Otter Tail transmission facilities (e.g. 41.6 kV
17 transmission).

18 **Q. WHAT OPTIONS HAS OTTER TAIL EXPLORED TO MITIGATE THE**
19 **IMPACTS OF CENTRAL POWER’S DECISION TO JOIN SPP?**

20 A. We investigated the option of “building away” from Central Power’s facilities by
21 constructing new facilities that would connect solely with the existing MISO
22 transmission system – building additional, and sometimes potentially duplicative,
23 transmission facilities that would allow Otter Tail load to no longer rely on any

1 Central Power facilities. Not only would this option be inefficient because it
2 results in the potential duplication of existing facilities, but it is also expensive.
3 Moreover, given that the function of the new facilities may duplicate the function
4 of existing facilities in many cases, we cannot be sure whether it would be
5 possible to recover the costs of such a project through our respective state
6 jurisdictional processes. Most important, however, is that even if we were to
7 engage in such a build out, it remains unclear whether Otter Tail can fully
8 mitigate our exposure to SPP transmission charges because of SPP's insistence on
9 sometimes assessing charges to "off system" load.

10 **Q. WHAT REMEDY WOULD APPROPRIATELY ADDRESS THE**
11 **ECONOMIC IMPACTS CAUSED BY CENTRAL POWER'S DECISION**
12 **TO JOIN SPP?**

13 A. I believe the only available option to protect the customers of Otter Tail Power
14 Company from the excessive and duplicative costs demonstrated above is for the
15 Commission to issue an order requiring that SPP and Central Power hold Otter
16 Tail and its customers harmless from the economic impacts arising from Central
17 Power's decision to join SPP.

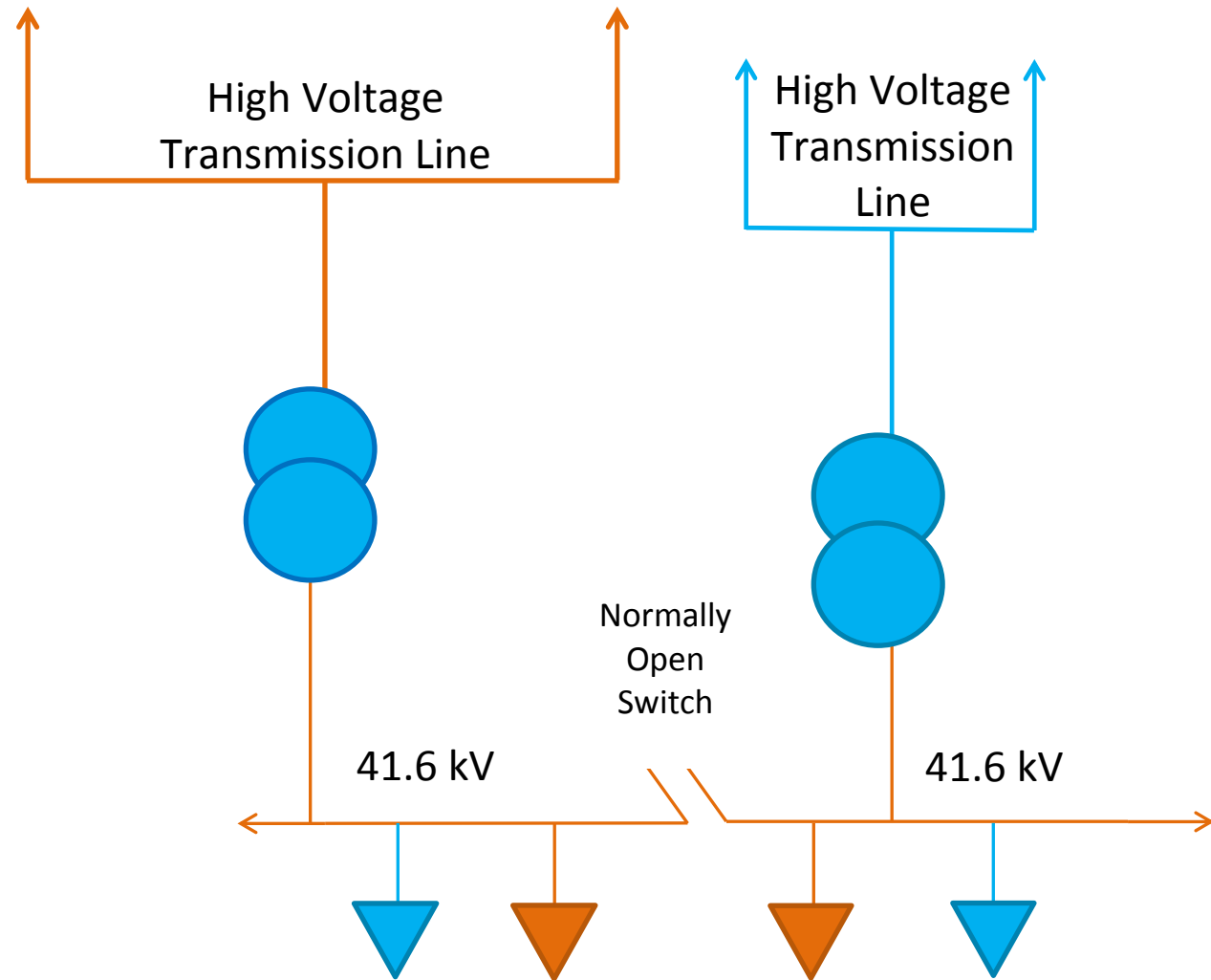
18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A. Yes

Attachment A

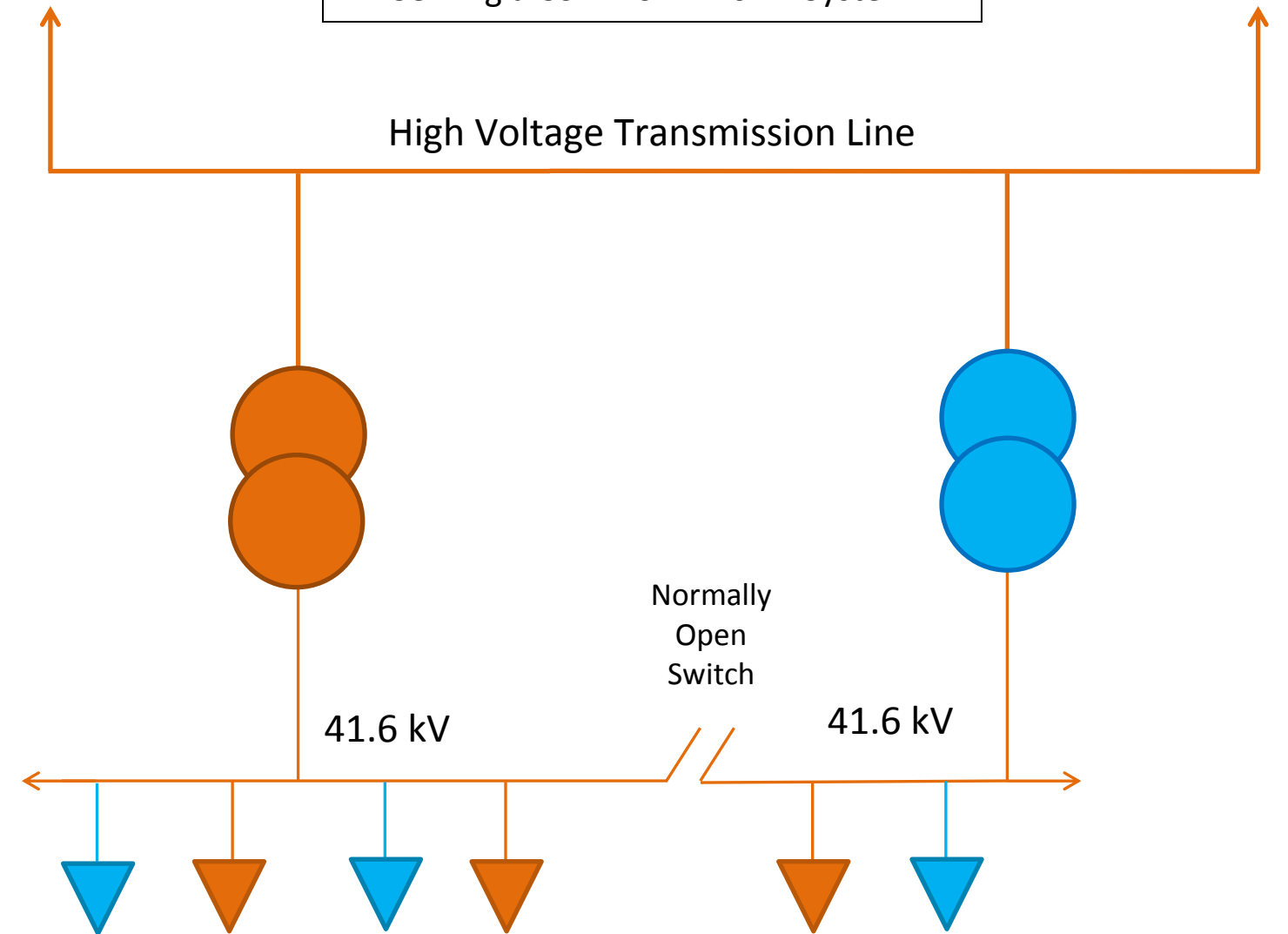
Scenario 1

Separate High Voltage Transmission Lines Serving a Common 41.6 kV System

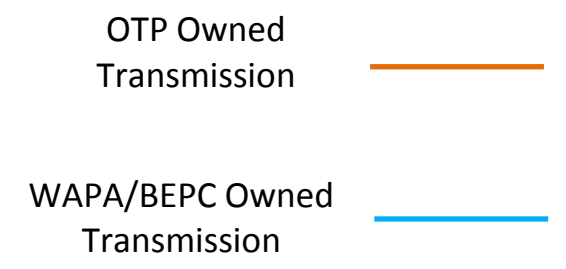
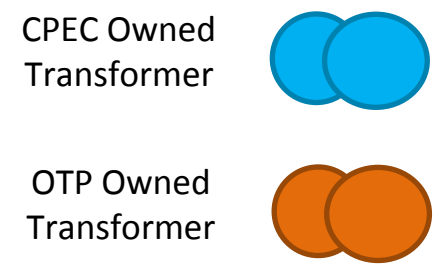
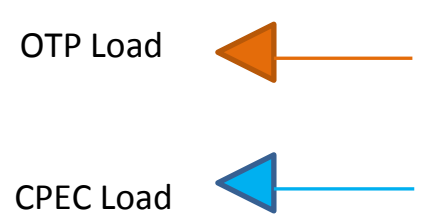


Scenario 2

Same High Voltage Transmission Line Serving a Common 41.6 kV System



Description of Symbols



Attachment B

Exhibit 2 - Estimate of OTP Annual Impact for Load in SPP (2016)*

| Line # | SPP Schedule | Description | Rate | Unit | Annual Impact |
|--------|--------------|--|------------|--|----------------------|
| 1 | 1 | Schedule, System Control, and Dispatch Service | \$1,235 | \$/MW-Yr | \$92,625 |
| 2 | 1A | Tariff Administrative Charge | \$0.39 | \$/MW*hours in year | \$256,230 |
| 3 | 9 | Transmission Service | \$48,256 | \$/MW-Yr | \$3,619,200 |
| 4 | 11 | Zonal / Regional Transmission Charge (Hiway/Biway) | \$2,198 | \$/MW-Yr | \$164,850 |
| 5 | 12 | FERC Assessment Charge | \$0.073701 | \$/MW*hours in year | \$48,422 |
| 6 | -- | Additional Cost for Staff (3) | \$75,000 | per FTE | \$225,000 |
| 7 | -- | Software Settlement for Shadow Settlements | \$55,000 | one-time | \$55,000 |
| 8 | | | | Total Annual SPP Charges = | \$4,461,327 |
| 9 | -- | MISO Schedule 9 Revenues from Central (OTP %) | \$35,722 | \$/MW-Yr | (\$2,500,000) |
| 10 | -- | MISO Section 30.9 transmission credits to CPEC (OTP %) | | | \$1,000,000 |
| 11 | | | | Total Annual MISO Revenues from Central (OTP %= | (\$1,500,000) |
| 12 | | | | Total Annual SPP Charges (Net with MISO considerations) = | \$2,961,327 |

*Based on an estimate of 75 MW of Otter Tail Load in SPP

VERIFICATION

Pursuant to 28 U.S.C. § 1746, I state under penalty of perjury that the foregoing testimony is true and correct to the best of my information, knowledge, and belief.

Executed this 20th day of November, 2015.

Jason J. Weiers
Jason J. Weiers
Manager, Delivery Planning
Otter Tail Power Company

Subscribed and sworn to before me on this 20th day of November, 2015.

Deborah A. Kleven
Notary Public

My Commission Expires: 1/31/20

