

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

**Southwest Power Pool, Inc.**

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**Docket No. ER16-209-000**

**MOTION TO INTERVENE AND COMMENTS OF  
NORTHWEST IOWA POWER COOPERATIVE**

Pursuant to Rules 212 and 214 of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Rules of Practice and Procedure,<sup>1</sup> Northwest Iowa Power Cooperative (“NIPCO”) hereby files this Motion to Intervene and Comments in support of Southwest Power Pool, Inc.’s (“SPP”) October 30, 2015 filing (“October 30 Filing”) of proposed revisions to its Open Access Transmission Tariff (“Tariff”) in the above-captioned proceedings.<sup>2</sup> These proposed revisions provide for an annual transmission revenue requirement (“ATRR”), formula rate template and formula rate protocols for Central Power Electric Cooperative, Inc. (“Central Power”).

**I. MOTION TO INTERVENE**

NIPCO is an electric generation and transmission cooperative owned by six distribution cooperatives and an association of municipal utilities, all located in Iowa. NIPCO serves these customers with over 900 miles of 69 kV transmission lines and 80 distribution substations. NIPCO is a Rural Utility Service (“RUS”) borrower under the

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<sup>1</sup> 18 C.F.R. §§ 385.212 and 385.214 (2014).

<sup>2</sup> *Southwest Power Pool, Inc.’s Submission of Revenue Requirement, Formula Rate Template and Formula Rate Protocols for Central Power Electric Cooperative, Inc.*, FERC Docket No. ER16-209 (October 30, 2015).

Rural Electrification Act of 1936. As an electric cooperative borrower from the RUS, NIPCO is not subject to the Commission's jurisdiction over public utilities under the Federal Power Act.<sup>3</sup>

In the October 30 Filing, SPP submitted revisions to implement a formula rate and associated formula rate implementation protocols to accommodate the recovery of an ATRR for Central Power, to be included in SPP's Zone 19 pricing zone. On January 1, 2016, Central Power will transfer functional control of certain of its transmission facilities to SPP.

Like Central Power, NIPCO is a non-jurisdictional electric cooperative entity. NIPCO transferred functional control of certain transmission facilities to SPP on October 1, 2015 and filed a formula rate, implementation protocols, and ATRR for SPP Zone 19 that are similar to Central Power's, implementing a similar methodology in arriving at a non-jurisdictional ATRR.<sup>4</sup> As a result, NIPCO has a direct and substantial interest in the outcome of this proceeding that cannot be adequately represented by any other participant. Accordingly, NIPCO respectfully requests that it be granted full party status in this proceeding.

## II. COMMUNICATIONS

Please direct communications concerning this pleading to the following persons and place their names on the Commission's official service list:

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<sup>3</sup> 16 U.S.C. § 824(e)(3)(b).

<sup>4</sup> See *Southwest Power Pool Inc's Submission of Revenue Requirement, Formula Rate Template and Formula Rate Protocols for Northwest Iowa Power Cooperative*, Docket No. ER15-2115 (filed July 7, 2015) (NIPCO ATRR Filing).

Matthew Washburn\*  
Senior VP & Chief Operating Officer  
Northwest Iowa Power Cooperative  
31002 County Road C38  
Le Mars, Iowa 51031-8197  
Telephone: (712) 546-4141  
E-Mail: [mwashburn@nipco.coop](mailto:mwashburn@nipco.coop)

William DeGrandis\*  
Stephen Snyder\*  
Jenna McGrath\*  
Paul Hastings LLP  
875 15th Street, N.W.  
Washington, D.C. 20005  
Telephone: (202) 551-1720  
E-mail: [billdegrandis@paulhastings.com](mailto:billdegrandis@paulhastings.com)  
E-mail: [stephensnyder@paulhastings.com](mailto:stephensnyder@paulhastings.com)  
E-mail: [jennamcgrath@paulhastings.com](mailto:jennamcgrath@paulhastings.com)

Steven Ver Mulm\*  
Vice President, Engineering and Operations  
Northwest Iowa Power Cooperative  
31002 County Road C38  
Le Mars, Iowa 51031-8197  
Telephone: (712) 546-4141  
Email: [svermulm@nipco.coop](mailto:svermulm@nipco.coop)

\* Indicates persons to be designated for service under the Commission's rules. NIPCO requests waiver of any applicable limitations in Rule 203(b), to permit service to these designated persons.

### III. BACKGROUND

On November 10, 2014, the Commission issued an order permitting Basin Electric Power Cooperative ("Basin Electric"), Western Area Power Administration – Upper Great Plains Region ("Western"), and Heartland Consumers Power District ("Heartland"), (together with Basin Electric and Western, the "Integrated System Parties") to join SPP as Transmission Owning Members and to place their respective transmission facilities under the functional control of SPP, so that SPP could utilize such transmission facilities in order to provide transmission service under the Tariff.<sup>5</sup> The Integrated System ("IS") includes the combined transmission facilities of Western, Basin Electric and Heartland. As SPP notes, the Commission's approval of the IS Parties' integration into SPP was "an important factor influencing Central Power's decision to join SPP as a Transmission Owner."<sup>6</sup>

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<sup>5</sup> *Southwest Power Pool, Inc.* 149 FERC ¶ 61,113 (2014).

<sup>6</sup> October 30 Filing, Transmittal at 5.

Like Central Power, NIPCO determined that joining SPP and transferring functional control of certain of its transmission facilities to SPP would result in significant savings for its members, and began the process of pursuing membership in SPP as a Transmission Owning Member.<sup>7</sup> On June 11, 2015, pursuant to section 205 of the Federal Power Act, SPP submitted proposed revisions to its Membership Agreement to facilitate the decision of NIPCO to join SPP as a Transmission Owning Member and to place its transmission facilities under the functional control of SPP.<sup>8</sup> NIPCO's ATRR Filing was conditionally accepted on September 30, 2015 and set for hearing and settlement judge proceedings, which are currently in progress.

As SPP explained in the October 30 Filing, SPP's Tariff specifies a Zonal ATRR for each SPP transmission zone.<sup>9</sup> Transmission service rates to support the load located within the SPP region are based, in part, on the sum of the Zonal ATRR for each Transmission Owner within the zone in which its facilities are located. SPP's October 30 Filing establishes a Zonal ATRR for Central Power within Zone 19 and implements a Formula Rate for transmission service over Central Power's facilities, to become effective on January 1, 2016 when Central Power transfers functional control of its transmission facilities to SPP.<sup>10</sup>

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<sup>7</sup> See NIPCO ATRR Filing, Exhibit No. SPP-1 at 5-6.

<sup>8</sup> See *Southwest Power Pool, Inc. Amendments to the SPP Membership Agreement*, FERC Docket No. ER15-1906 (June 11, 2015).

<sup>9</sup> October 30 Filing, Transmittal at 2.

<sup>10</sup> *Id.* at 5

#### IV. COMMENTS

##### **A. The Proposed Formula Rate is Just and Reasonable and Consistent with Commission Policy.**

The Commission should approve the October 30 Filing effective January 1, 2016, as requested because the proposed Formula Rate is just and reasonable and consistent with Commission policy. As Central Power's witness, Mr. Bernard A. Cevera explains, the Formula Rate has two components: (1) the formula rate template itself; and (2) a set of protocols that govern how the costs applied to the formula rate template will be updated each year and implemented.<sup>11</sup> Mr. Cevera's testimony explains in detail how the Formula Rate functions to calculate a rate base and a Zonal ATRR. The formula rate template proposed in the October 30 Filing conforms to Commission precedent with respect to formula rates and will result in just and reasonable rates under SPP's Tariff.

##### **B. The Source of Central Power's Formula Rate Inputs is Just and Reasonable.**

The proposed formula rate template accounts for Central Power's status as a non-public utility in certain components. Similar to other Commission-approved formulas based on historic data, Central Power's Formula Rate inputs are determined using the RUS Financial and Operating Report Electric Power Supply ("RUS Form No. 12"), rather than the FERC Form No. 1.<sup>12</sup> The Protocols require that each input to the Formula Rate for purposes of determining the ATRR for a given Rate Year be either taken directly from RUS Form No. 12 or reconcilable to RUS Form No. 12. SPP will post the RUS Form No.

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<sup>11</sup> See October 30 Filing, Exhibit No. SPP-7.

<sup>12</sup> *Id.*, Exhibit No. SPP-7 at 5-6. See, e.g., Midcontinent Independent System Operator, Inc., FERC Electric Tariff, 4.0 RUS Non-Levelized Generic Rate Formula Template (33.0.0).

12 for each Rate Year on its website to ensure it is easily accessible to interested parties. Accordingly, this aspect of the proposed Formula Rate is just and reasonable.<sup>13</sup>

**C. The Proposed Return on Common Equity is Just and Reasonable.**

The 10.87% rate of return on common equity (“ROE”) used in Central Power’s proposed formula rate is also just and reasonable. While FERC has not established a formal standard of review to be applied to all non-jurisdictional revenue requirement cases, it has permitted non-public utility transmission owners in RTOs to use the same overall ROE as that of the dominant zonal transmission owner. In addition, the Commission has permitted non-public utilities to use ROEs that fall within the range of reasonable returns approved by the Commission.<sup>14</sup>

Central Power developed its proposed ROE using the average of the ROEs on file for existing, similarly situated SPP Transmission Owners.<sup>15</sup> In developing this proposal, Central Power’s witness, Mr. Robert C. Smith, reasonably eliminated from the calculation those ROEs granted to independent transmission companies because they are differently situated than Central Power.<sup>16</sup> Mr. Smith also incorporated a 50-basis point adder for initial and continuing RTO membership, which is consistent with Commission policy.

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<sup>13</sup> See October 30 Filing, Transmittal at 8.

<sup>14</sup> Upon voluntarily joining an RTO, non-jurisdictional utilities are entitled to an ROE commensurate and equitable with other Transmission Owners. See *City of Vernon, Cal.*, 109 FERC ¶ 63,057, at P 126; see also *Midwest Independent Transmission System Operator, Inc.*, 106 FERC ¶ 61,219, at P 31 (“Consistent with our policy outlined in Order 2000, we continue to encourage participation of all transmission owners in RTOs, including cooperatives and municipals. Their participation will enhance the reliability and economic benefit of RTOs and ensure appropriate RTO size and scope. It is unlikely that Wolverine or any other small transmission owner will participate in an RTO without proper and equitable compensation for their transmission facilities...”).

<sup>15</sup> October 30 Filing, Exhibit No. SPP-12 at 6.

<sup>16</sup> *Id.* at 6.

Because the 10.87% ROE is consistent with Commission precedent, the Commission should accept the proposal as just and reasonable.

**D. The Formula Rate Implementation Protocols are Just and Reasonable.**

The formula rate implementation protocols included in the October 30 Filing are just and reasonable. The proposed protocols conform to Commission orders and guidance regarding formula rate implementation protocols. As Mr. Cevera explains, they provide customers and other interested parties an opportunity to review and challenge the rate under the formula.<sup>17</sup> Accordingly, the Commission should accept the proposed formula rate implementation protocols.

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<sup>17</sup> See *Id.*, Exhibit No. SPP-7 at 14.

**V. CONCLUSION**

WHEREFORE, NIPCO respectfully requests that the Commission grant its motion to intervene and accept Central Power's formula rate, implementation protocols, and revenue requirement, effective January 1, 2016 as requested.

Respectfully submitted,

/s/ William D. DeGrandis

William D. DeGrandis  
Stephen J. Snyder  
Jenna McGrath  
Paul, Hastings LLP  
875 15th Street, N.W.  
Washington, D.C. 20005  
Telephone: (202) 551-1731

Attorneys for  
Northwest Iowa Power Cooperative

/s/ Kent D. Pauling

Kent D. Pauling  
Executive Vice President and General Manager  
Northwest Iowa Power Cooperative  
31002 County Road C38  
Le Mars, Iowa 51031-8197  
(712) 546-4141  
[kpauling@nipco.coop](mailto:kpauling@nipco.coop)

November 20, 2015

**CERTIFICATE OF SERVICE**

Pursuant to Rule 2010 of the Commission's Rule of Practice and Procedure, I hereby certify that I have this day served a copy of the foregoing "Motion to Intervene and Comments of Northwest Iowa Power Cooperative" on all persons 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/ Jenna McGrath

Jenna McGrath

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