



Todd Hillman
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November 26, 2013

Dear Members:

Attached is the statement we made at the WAPA Public meetings held last week in Lincoln, NE, Sioux Falls, SD and Fargo, ND, in regards to WAPA – Upper Great Plains Region announcing their intention to join SPP. We believe it is important to communicate to you our philosophy going forward and the major issues that kept us from reaching an agreement with WAPA and the rest of the Integrated System (IS) to join MISO. Those messages are embedded in the attached statement.

MISO management supports the WAPA/SPP transaction; we truly believe WAPA and the rest of the IS should be in an RTO to begin to realize the demonstrable benefits RTOs deliver to end use consumers. Should WAPA/IS ultimately join SPP, we intend to ensure that our members' reliability and economic interests are not harmed in the process. We will do everything in our power to assure the principals MISO is founded on are maintained for our existing membership throughout the WAPA/SPP process.

Below is the link to the WAPA website should you be interested in following the process:

<https://www.wapa.gov/ugp/powermarketing/alternateoperationsstudy/aos.htm>

You may also submit written questions, comments, etc. directly to the following addresses:

Via email:

AOS@WAPA.gov

Via US mail:

Western Area Power Administration
Upper Great Plains Region
2900 4th Avenue North, Suite 600
Billings, MT 59101-1266

I assure you we will follow the process very closely and make sure our members' interests are upheld.

Thank you and regards,

A handwritten signature in black ink, appearing to read "Todd Hillman", written in a cursive style.

Todd Hillman
Vice President
Midcontinent Independent System Operator



**WAPA Open Hearings
MISO Public Statement
November 19-21, 2013**

- **First, we would like to congratulate SPP, WAPA, Basin and Heartland on this transaction. We are excited to see the Integrated System enter an RTO. We believe it is a good thing for the industry in the region.**

- **MISO has three interests represented here today and in the process going forward:**
 1. **To ensure that this transaction is completed in a timely manner;**
 2. **To ensure that the reliability, economic and customer interests of MISO's members are appropriately protected; and**
 3. **To explain why, despite years of conversation and negotiations, MISO was unable to come to an agreement with the Integrated Systems for entry into MISO.**

- **We assure SPP and the Integrated System members that MISO will do everything we can to assist this transaction progressing smoothly, as long as our members' reliability, economic and customer interests are protected.**
 - **Due to the extensive intermingling of load in this part of both footprints, it will be necessary to fully address both the physical and financial deliverability to SPP member load located in the MISO footprint and to MISO member load located in the SPP footprint.**
 - **While we believe that most of what is needed is already in place in the MISO / SPP Joint Operating Agreement, as it is currently interpreted by MISO and the FERC, this issue will require additional discussion and likely action.**

- **MISO has had extensive conversations with the Integrated System members over a number of years on potential IS membership in MISO. In the end, MISO was unable to reach an agreement that met MISO's mission of enabling the reliable delivery of the least cost energy to end use consumers. In the interest of transparency to our members, we would like to explain the barriers involved in meeting that mission in the transaction proposal IS brought forward to MISO:**
 - **Transmission Cost Sharing:** Under the terms desired by the IS proposal, MISO was being asked to place the cost of two transmission lines into our Multi Value Project cost sharing without having studied the benefit of those lines to the rest of the MISO footprint. Assuming the costs of those lines is \$550 million (and it could well be significantly higher than that), spreading those costs over our existing load would have caused at least a 15 cent/MWh increase in end use consumer rates.
 - **Carve Out of Losses and Congestion:** Similarly, carving out these costs would have resulted in approximately a 2 cent/MWh increase in end use rates for our existing end use consumers.

- **As MISO looks at new membership, it is important to us that the end use consumers of both the new member and our existing members find economic benefit. The terms of this transaction did not allow that to happen. It would have cost our existing members approximately \$0.17/MWh in virtual perpetuity and only very marginally increased the value proposition.**

- **We look forward to having the Integrated System in an RTO and will do everything we can to enable that to occur in a timely manner, while also ensuring our members' interests are protected.**

Thank You