

To: AOS@wapa.gov

From: Thomas J. Heller, CEO 

Date: December 16, 2013

RE: **Western Area Power Administration's (WAPA) Recommendation to Pursue Membership in a Regional Transmission Organization (RTO).**

We appreciate the opportunity to provide comments on the Federal Register Notice regarding the WAPA Upper Great Plains Region (UGPR) proposal pursuing membership into a RTO.

Missouri River Energy Services (MRES) is a member-owned, not-for-profit joint-action agency that provides electric energy and services to 61 communities that own and operate electric systems in the states of Iowa, Minnesota, North Dakota, and South Dakota. Fifty-nine of 61 MRES members are firm power supply customers of the UGPR. In aggregate, these municipalities represent over 20 percent of UGPR firm allocations. Any needs in excess of the UGPR allocations are supplied by MRES.

General Comments

MRES supports UGPR seeking entry into a RTO. With many of the marketing partners moving either into the Midcontinent Independent System Operator (MISO) or Southwest Power Pool (SPP), UGPR has limited opportunities to sell and purchase short term power and energy in the region. Full membership in an RTO enables UGPR to better manage its future risks. Based upon the results of the Alternative Operations Study, MRES supports UGPR entry into the SPP market. The primary reason MRES supports SPP over MISO is due to the regional cost allocation of the 345 kV Bakken loop to be built surrounding the North Dakota oil field region.

UGPR is asking SPP for an exemption for certain market and transmission costs as a condition to its entry into SPP. Some of these avoided costs will simply be shifted onto the supplemental suppliers in the region, such as MRES, which will ultimately impact the power supply costs to preference power customers that both WAPA-UGPR and MRES serves. We ask that UGPR work towards minimizing potential costs impacts to the preference power customers.

Specific Requests as UGPR Transitions into SPP

Although MRES does generally support UGPR pursuing membership in SPP, there are a number of outstanding issues that could become controversial if not resolved before or during the membership negotiations with SPP. Therefore, MRES requests that as UGPR continues its negotiations with SPP, the following issues be addressed:

1) UGPR Network Integration Transmission Service (NITS) and Point-to-Point (PTP) service customers should be treated comparably through the transition period to the SPP Open Access Transmission Tariff (OATT) service.

During membership negotiations, UGPR should make it a priority to have existing NITS and PTP customers treated the same when working through the transition period to SPP. Anything short of this has the potential of creating discord among the supplemental suppliers as SPP and UGPR work through the approval process of the SPP membership agreement.

2) UGPR support and utilize SPP definition of transmission as defined in the SPP Tariff Attachment AI.

MRES asks that UGPR utilize the SPP definition of transmission as defined in the Federal Energy Regulatory Commission approved SPP Tariff, specifically Attachment AI. If WAPA pursues a different definition of transmission for deliveries of preference power within the historical Integrated System (IS) boundaries, it has the potential to impact supplemental suppliers, such as MRES, by causing additional transmission costs along with transmission cost shifts and potentially limiting a power supplier's ability to access the market. Furthermore, it may actually impact UGPR directly by paying additional costs to take full benefit of the SPP market. To help rectify these issues, MRES suggests that the Upper Midwest zone and the IS zone transmission definitions be one in the same.

3) WAPA support the transition of the Missouri Basin Power Project (MBPP) Transmission Service Agreement with Nebraska Public Power District to the SPP OATT for the output of Laramie River Station (LRS).

The Missouri Basin Power Project (MBPP) provides for the management of Laramie River Station on behalf of its six participants, several which are the supplemental suppliers to much of the preference power customers that UGPR serves. MBPP's operating agent, Basin Electric, entered into a transmission service contract with Nebraska Public Power District (NPPD) in 1977 and extends through 2040 to deliver power and energy to the IS for the MBPP Participants on the east side. In consideration for the rights of MBPP to transmit across the NPPD system, MBPP compensated NPPD with an up-front payment for designated transmission facilities added to NPPD's transmission grid along with contributing monthly payments for certain expenses attributed to NPPD's Bulk Transmission System.

With UGPR's possible entry in to the SPP, LRS participants could be exposed to market congestion and losses that they may not necessarily be subject to under the existing grandfathered agreement and IS transmission service out of LRS. MRES asks for UGPR support to transition the MBPP Transmission Service Agreement into the SPP OATT.

4) UGPR needs to request that the SPP tariff interpret NITS meets the Must Offer Requirement in MISO.

MISO requires that all loads meet the Must Offer capacity requirement regardless of the power supplier. Currently UGPR is not meeting the Must Offer capacity requirement for UGPR share of the load in MISO. By default, the supplemental supplier is covering this obligation since UGPR is not fulfilling this commitment. As part of the firm power supply agreement between the preference power customer and UGPR, it is the responsibility of UGPR to meet the delivery requirements of federal hydropower portion of the preference power customer's load. Either UGPR needs to negotiate an arrangement with SPP to meet the Must Offer Requirement for their portion of the load for preference customers in MISO or reimburse the supplemental supplier for meeting this requirement on behalf of UGPR.

5) UGPR continue to collaborate with IS customers on an efficient, but equitable, transition into SPP.

MRES appreciates UGPR's openness to discuss the marketing and transmission related details regarding the transition into SPP. MRES has met with UGPR on a few occasions regarding this matter and recently participated in a working group of IS customers and SPP staff. MRES is encouraged by the collaboration of the parties involved in the working group. Further use of such a forum will help facilitate this process.