

Integrated Transmission System (IS)
Questions on 2010 Filing
August 24, 2009

1. WAPA Items:

- a. Please provide detail on the \$57 million of transmission plant projected to be added between 2008 and 2010.

Over the past 5 years, Western's historical average increase in total plant balance is approximately \$30,730,000 per year. Transmission plant has been approximately 95% of the total. Based upon the dollar value of substation additions and line upgrades currently in progress and expected to be transferred from Construction Work in Progress to plant during the next two years, the average annual net increase to transmission plant over this period is conservatively estimated to be slightly in excess of \$28,500,000 per year. The following projects are scheduled for completion during FY 2009 and FY2010. However, the actual projects completed may differ, due to changing priorities in a given year. The difference between the estimated and actual completed projects will be adjusted in the true up calculation.¹

Grand Island Bay Addition	\$ 1,994,952
Culbertson East Switching Station	1,200,000
Utica Junction Substation	9,350,000
Letcher Substation	7,000,000
Watford City-Williston 230kV Line Upgrade	13,572,827
Watertown Capacitors	1,435,000
Havre Control Building and Boards	2,928,858
Granite Falls Substation Stage 13	4,180,044
Belfield Sub 230 kV Bay Addition	1,453,474
New Underwood Reactors	2,010,000
Carpenter Substation	2,073,339
Alternate Control Center	4,031,398
Pleasant Lake Tap	1,000,000
Fairview West Switching Station	3,300,000
Miscellaneous Additions and Replacements	<u>4,710,000</u>
	\$57,044,940

- b. Please explain why A & G is projected to increase from \$12.05 million to \$16.3 million, or 35%, from 2008 to 2010.

In order to facilitate O&M and A&G estimation, out year budget projections have been used. Future budget projection submissions allocate more to A&G and less to O&M than has been recorded in rate adjustment calculations previously. Although A&G has increased, there has been a corresponding decrease in O&M. In order to maintain consistency, future true-ups/rate recalculations will record O&M and A&G as they have been estimated.

- c. Please show how the estimated load of 4,605,000 kW was determined.

Annual increases/decreases in total load over the past six years have varied from a decrease of 86,000 kW to an increase of 145,000 kW. The change in network load from 2007 to 2008 was 54,000 kW and deemed representative for estimating purposes. Replicating this increase twice resulted in an increase of 108,000 kW. Adding this increase to the 2008 total load of 4,237,000 kW resulted in an estimated

total load of 4,345,000 kW. The 2010 projected Corn Belt load of 260,000 kW was then added - resulting in a total projected load of 4,605,000 kW.

- d. Short term firm point to point and non-firm point to point service credits are at historically very low amounts. Do you expect these amounts to increase in the near future as more power becomes available to sell from the dams?

As no pattern for estimating changes in revenue credits from year to year is currently readily discernable, historical 2008 revenue credits were used as the estimate for 2010. There are too many variables involved to make a projection concerning future increases to credits. In the event that credits increase (or decrease), adjustments will occur in the true-up process. As part of the annual rate projection process, each year's actual credits will be evaluated and appropriate adjustments will be made to future estimates in subsequent years.

2. Basin Electric Items:

- a. Please provide details on the \$52 million of transmission plant projected to be added between 2008 and 2010.

The facilities (and estimated costs) that are being added to the IS are shown below. The facilities are located in western North Dakota and are being built to accommodate load growth in that area. However, the actual projects completed may differ, due to changing priorities in a given year. The difference between the estimated and actual completed projects will be adjusted in the true up calculation.¹

T3 Nessel Sub	\$ 7,700,000
Rhame Substation	7,384,615
Comm-Belfield Rhame Project	2,000,000
Belfield-Rhame 230 kV Line	29,800,000
Williston-Tioga 230 kV Line	1,846,154
Williston Substation Transformer	169,231
Miscellaneous Additions/Replacements	<u>2,961,538</u>
	\$51,861,538

- b. Please provide a breakdown and additional information on the \$4,319,842 of lease payments expected for 2010. We have previously received information on the \$2,819,842 of lease payments included in past revenue requirements. Please provide system one-lines and lease payment for facilities included in the BEPC lease agreement similar to the information previously provided.

The increase in lease payments estimated for 2010 is the result of leasing and including eligible portions of the Corn Belt Power Cooperative (CBPC) transmission facilities located in western Iowa in the Western/Basin Electric Power Cooperative/Heartland Consumers Power District Integrated System (IS). Facility descriptions for the leased facilities can be found at <http://www.oatioasis.com/wapa/index.html> as a "Recent News" item for 07/22/2009 (Updated 08/25/2009).

¹ The proposed Integrated Transmission System rate formula uses a forward looking estimate model that is ultimately reconciled with actual expenses as part of the true-up process. As with all the estimates used to determine the 2010 rate projection, the estimates used to project total transmission plant are based upon the best available data at the time of creation. Final transmission plant values are likely to differ from the estimates and will be corrected in the outlying years based upon actual data.