



December 12, 2013

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

Subject: Joint Comments of Montana-Dakota Utilities Co. and Otter Tail Power Company to Western Area Power Administration's Regarding its Proposed Membership in Southwest Power Pool

Dear Sir/Madam:

In response to the November 1, 2013 *Federal Register Notice* seeking public comment on the Western Area Power Administration, Upper Great Plains Region ("Western") recommendation to pursue formal negotiations with the Southwest Power Pool ("SPP"), Montana-Dakota Utilities Co. ("MDU") and Otter Tail Power Company ("OTP") submit the following written comments on behalf of our companies and the various customers and/or entities within our Local Balancing Authorities.¹

MDU and OTP appreciate the opportunity to be a part of the open, public process and we look forward to Western's response to our written comments. Providing clarity is an essential element to aid our companies, customers, similarly situated entities within our Local Balancing Authorities and state regulatory commissions to more fully understand Western's decision and more fully evaluate the impacts that Western's² decision may have upon our region given the integrated nature of our systems in the Dakotas and the creation of a new RTO-to-RTO seam.

Given the geographic area of the Western, MDU, and OTP systems (transmission, generation, and load), one RTO enhances efficiencies in our region. Rather than enhancing reliability, market operations, and transmission planning in our region, Western's decision to join SPP will

¹ These joint, written comments are in addition to the individual, oral comments provided by (1) OTP at the November 20, 2013 public meeting in Sioux Falls, SD and (2) MDU at the November 21, 2013 public meeting in Fargo, ND.

² Based on public documents, the assumption is that if Western joins SPP so will Basin Electric Power Cooperative and Heartland Consumers Power District.

increase inefficiencies in the region by creating an RTO-to-RTO seam that will directly impact the customers of MDU and OTP (and presumably Western). As a federal entity, Western has an obligation to provide further detail and clarity regarding the Alternative Operations Study (“AOS”). Western should provide the models, assumptions, and inputs used in the AOS in an open and transparent manner to all impacted parties in order that we may better understand Western’s decision and ensure appropriate and accurate assumptions have been made in arriving at its conclusion to join SPP.

In light of such transparency, we would appreciate clarity on the specific intent of the AOS. Our interpretation of the AOS is that rather than conducting an actual cost/benefit analysis with the objective of determining a robust comparison of cost/benefits between MISO and SPP for the ultimate end-use customer, the AOS is a limited cost/benefit and gross risk analysis. In other words, the AOS merely identifies a subset of benefits and risks that seem to be arbitrarily weighted without robustly evaluating actual end-customer impacts, which may reveal different outcomes in terms of overall cost/benefits.

In consideration of the above noted concerns related to increased inefficiencies created by two RTOs in our region, we would appreciate additional clarity as follows:

1. Please provide the detail and assumptions that fed into the market conclusions of the AOS report. There is not sufficient detail to understand the projected market benefits of SPP relative to MISO. We are struggling to understand how a “modeled” SPP market could yield more benefit than the MISO market, when the former doesn’t exist and the latter is well established for nearly a decade.
2. Please provide customers and impacted parties with sufficient information to understand and gain comfort with the analysis that implies SPP and MISO have the same Ancillary Services and Optimized Hydro benefit values. Intuitively, this doesn’t seem accurate, particularly when the estimated Trade Benefit (as that term is defined in the AOS) from SPP is significantly higher than MISO. What were the inputs and assumptions used to produce these results?
3. The study infers that there are specific GFAs/carve out exemptions. It would be helpful for customers and impacted parties to have a clear understanding of what GFAs are subject to such exemption. Can WAPA please provide a list of what load is subject to a GFA or considered “carved out” of specific costs?
 - a. Will there be a FERC filing of such exemptions and applicable GFAs so affected parties know the applicability under SPP tariff?
 - b. If the GFA exemption is predicated on Federal statute, would not such exemptions be similarly applicable to MISO?
4. During the November 13 webinar, Western indicated that capacity issues are still under evaluation. To what extent has resource adequacy been considered in the decision process? The AOS implies net zero difference between MISO and SPP. Please provide the details to support this assertion.
5. It is difficult to understand the assumptions/evaluations used in the congestion and loss exclusion benefit. Please explain, in detail, the assumptions/valuation? Why zero in MISO?

6. How is the reimbursement of losses and congestions for WAPA's Firm Electric Service (FES) customers going to be handled? Will this reimbursement be to all SPP customers or a subset of WAPA's other customers?
7. Given the distinctly different cost allocations and metrics between MISO and SPP, please elaborate in detail what analysis was used for the MISO criteria to cost share future IS projects versus the analysis used for the SPP criteria to cost share future IS projects.
 - a. Have SPP load serving entities and state regulators agreed to pay the publically stated 92% of the proposed Bakken loop transmission project?
 - i. Please specify the specific section of the SPP tariff that provides for cost sharing of such projects.
 - ii. Will the cost sharing of the Bakken loop transmission project be subjected to the three year reasonableness review under Attachment J, Section III.D. of the SPP Tariff? Was an initial reasonableness review performed by SPP on this project to cost share 92% of the project costs with others outside of the IS?
 - iii. What cost sharing of current and future SPP projects will WAPA be subjected to from other SPP members to justify 92% cost sharing of the Bakken loop transmission project?

Again, we appreciate the opportunity to seek further clarification and look forward to Western's response. Our companies have worked cooperatively with Western for more than fifty years and while we maintain that a single RTO in our region is strongly preferred, we remain hopeful that we can cooperate to mitigate the inefficiencies brought about by the creation of an RTO-to-RTO seam.

Sincerely,



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