

OTTER TAIL POWER COMPANY
Docket No: EL15-045

Response to: South Dakota Public Utilities Commission
Analyst: SDPUC Staff
Date Received: 11/18/2015
Date Due: 12/04/2015
Date of Response: 12/04/2015
Responding Witness: Bryce Haugen, Senior Rates Analyst, Regulatory Administration

Information Request:

01-04. Provide the statute and/or order which require OTP to pay SPP costs even though OTP is not a member of SPP.

Attachments: 0

Response:

In 1958, Central Power Electric Cooperative (CPEC), Inc. and Otter Tail entered into an Integrated Transmission Agreement, under which CPEC and Otter Tail agreed to jointly plan, develop, and construct transmission facilities. The result of this sixty-five year collaboration is a jointly-owned patchwork of transmission facilities and substations known as the Integrated Transmission System (ITS). Because of the requirement that the parties contribute equally to the construction of new facilities in the ITS, physical ownership of the transmission facilities is non-contiguous.

CPEC has decided to place some of its facilities, including facilities in the ITS, under the control of the Southwest Power Pool, Inc. (SPP), effective January 1, 2016. SPP is a Regional Transmission Organization (RTO) whose creation was approved by the Federal Energy Regulatory Commission (FERC). *Sw. Power Pool, Inc.*, 109 FERC ¶ 61,009 (2004), *order on reh'g*, 110 FERC ¶ 61,137 (2005). It is FERC's goal that all transmission-owning entities—such as CPEC and Otter Tail—place their transmission facilities under the control of a RTO. *Regional Transmission Organizations*, 89 FERC ¶ 61,285, at 4 (1999). Once a transmission-owning entity places its facilities under the control of a RTO, the RTO becomes the sole provider of transmission service for those facilities. Therefore, when CPEC places its facilities under the control of SPP on January 1, 2016, SPP will become the sole provider of transmission service for those facilities.

The configuration that will result from CPEC's decision to join SPP will isolate certain parts of the MISO system, along with Otter Tail native load, from direct integration into the MISO

system, leaving Otter Tail dependent on SPP transmission service in order to reach other areas of MISO and serve Otter Tail load. Otter Tail will become a Transmission Customer of SPP and that is what allows SPP to charge Otter Tail for this service. If Otter Tail does not voluntarily take transmission service, Otter Tail fully expects that SPP will charge unreserved usage penalties and file an unexecuted service agreement at FERC, which FERC will presumably accept given the facts.

The following example helps explain how this patchwork of ownership of facilities will require Otter Tail to take transmission service from SPP: The CPEC-owned CPEC Rugby – WAPA Rugby 115 kV line is connected to CPEC’s Rugby 115/41.6 kV substation, with Otter Tail owned 41.6 kV transmission lines exiting this 115/41.6 kV substation serving both Otter Tail and CPEC distribution deliveries. Due to the configuration of the transmission system in this area, the CPEC-owned 115 kV facilities, which will be under the SPP tariff, are connected to Otter Tail owned 41.6 kV facilities under the MISO tariff, thus exposing customers served from this substation to two separate RTO tariffs.

Otter Tail is trying to minimize its exposure to these SPP costs. Otter Tail filed a motion to intervene and protest in FERC Docket No. ER16-209, SPP and CPEC’s request to integrate CPEC into SPP, requesting that FERC requires SPP to hold Otter Tail and its customers harmless from the financial impacts of CPEC’s integration into SPP.