



April 1, 2019

via eFiling

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street N.E.
Washington, DC 20426

ER19-1505-000

Re: *NorthWestern Corporation (South Dakota)*, Docket No. ER19-____-000
Request for Limited Waiver of Filed Tariff Provision

Dear Secretary Bose:

Pursuant to Rule 207(a)(5) of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission,¹ NorthWestern Corporation d/b/a/ NorthWestern Energy hereby requests a limited, one-time waiver of the requirement under the Southwest Power Pool, Inc. (SPP) Open Access Transmission Tariff (OATT) that a Project Sponsor maintain a letter of credit or other form of security until such time as the Project Sponsor has fulfilled its obligation to fund a Sponsored Upgrade. As discussed below, good cause exists to grant the requested waiver because it satisfies the Commission's standards for waiver of filed tariff requirements.

I. Background

A. NorthWestern Energy

NorthWestern is a public utility engaged in the generation, transmission, and distribution of electricity and the supply and transportation of natural gas. Its facilities are located primarily in Montana and South Dakota. In South Dakota, NorthWestern is a transmission owner within the Southwest Power Pool, Inc. and has transferred functional control its electric transmission facilities there to SPP. In Montana, NorthWestern is a transmission owner/operator and Balancing Authority Area operator within the Western Electricity Coordinating Council. NorthWestern's Montana and South Dakota transmission facilities are not physically connected and are not in the same electric reliability region. This filing involves only NorthWestern South Dakota operations.

¹ 18 C.F.R. § 385.207(a)(5)



B. Aberdeen City Loop Upgrade

The Aberdeen City Loop Upgrade involves the construction of a new 115-kilovolt transmission line segment between existing electrical substations, which are currently being served by radial 115-kV lines. This project, which has been planned since 2014, will provide increased capacity and reliability benefits to the Bulk Electric System, while also addressing future electrical load growth needs in the Aberdeen area.

On March 5, 2018, NorthWestern and SPP executed a Sponsored Upgrade Study Agreement for this project. After completing the study of this project and its impact on the SPP transmission system, SPP published a report confirming no negative impacts to neighboring SPP transmission facilities, along with no mitigation upgrades being needed. The upgrade has since been endorsed by SPP's Transmission Working Group, and received approval from SPP's Markets and Operations Policy Committee and Board of Directors.

II. Description of Waiver Request

NorthWestern respectfully requests a limited, one-time waiver of the requirement under the SPP OATT that a Project Sponsor maintain a letter of credit or other form of security until such time as the Project Sponsor has fulfilled its obligation to fund a Sponsored Upgrade. This requested is limited to the Aberdeen City Loop Upgrade, described above.

Specifically, the Agreement for Sponsored Upgrade provides:

Project Sponsor shall maintain a Letter of Credit in the amount specified in this Agreement or such other form of security acceptable to Transmission Provider pursuant to Attachment X of the Tariff until such time as the Project Sponsor has fulfilled its obligation to make Project Sponsor's Payment pursuant to section 3.0.²

Under Section 3.0, a Project Sponsor agrees to pay the costs of a Sponsored Upgrade by a lump-sum payment or a periodic charge. In this case, however, NorthWestern, as both the Transmission Owner and the Project Sponsor, is building its own facilities at its own costs. NorthWestern is not making any payment to SPP or flowing money through SPP, so there is no lump-sum payment or periodic charge. Thus, there is nothing for which to maintain a letter of credit.

² SPP OATT, Attachment J, Schedule 1, Section 4.0.



The Commission has granted waiver of tariff provisions where: (1) the applicant acted in good faith; (2) the waiver is of limited scope; (3) the waiver addresses a concrete problem; and (4) the waiver does not have undesirable consequences, such as harming third parties.³ NorthWestern's request satisfies these standards.

- *First*, NorthWestern has acted in good faith by following the SPP tariff and submitting the project to the SPP Sponsored Upgrade process.
- *Second*, the requested waiver is limited in scope because it applies on a one-time basis, and only to NorthWestern's Aberdeen City Loop Upgrade. No other projects or upgrades are affected by the waiver request.
- *Third*, the waiver addresses a concrete problem. Absent a Commission-authorized waiver, NorthWestern would be obligated to incur the expense of maintaining a letter of credit for a project that it is self-funding.
- *Fourth*, the waiver will not harm third parties or have any undesirable consequences. There are no third parties to the Agreement for Sponsored Upgrade. Because NorthWestern is funding the Aberdeen City Loop Upgrade directly, there is no potential harm to SPP, to other Transmission Owners in SPP, or to SPP customers. As a result, no party will be harmed if NorthWestern is permitted to avoid the unnecessary expense of maintaining a letter of credit for a financial obligation to itself.

In further support of its request, NorthWestern notes that SPP Staff recently began the process of revising its tariff to address this issue.⁴ The proposed revision will allow the letter of credit or other form of security to be waived when, as in this circumstance, the Project Sponsor and the Transmission Owner constructing a project are the same entity.

The posting of financial security would not serve any practical purpose under the circumstances described above. NorthWestern's request satisfies the Commission's criteria for granting waiver of tariff provisions and is consistent with Commission precedent.⁵ Therefore, good cause exists to grant the requested waiver.

³ See, e.g., *Midcontinent Indep. Sys. Operator, Inc.*, 162 FERC ¶ 61,008, P 10 (2018); *Southwest Power Pool, Inc.*, 157 FERC ¶ 61,244, P 24 (2016); *Calpine Energy Servs., L.P.*, 154 FERC ¶ 61,082, PP 12–13 (2016).

⁴ Revision Request No. 354, *Acceptable Credit for Sponsored Upgrades*, available at <https://www.spp.org/spp-documents-filings/?id=21069> (posted March 25, 2019).

⁵ *Pac. Gas & Elec. Co.*, 166 FERC ¶ 61,018, PP 8–11 (2019) (granting one-time waiver of requirement to post security to itself).



III. Persons Served

NorthWestern will serve a copy of this filing on SPP and the South Dakota Public Utilities Commission. In addition, this filing is available for public inspection at NorthWestern's Corporate Office, 3010 West 69th Street, Sioux Falls, South Dakota.

IV. Communications

Communications concerning this filing should be directed to the following representatives:

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V. Conclusion

For the reasons set forth above, NorthWestern respectfully requests that the Commission grant the limited waiver sought herein.

Respectfully submitted,

s/ M. Andrew McLain

M. Andrew McLain

Director – Transmission Market Strategy & FERC Compliance Officer

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○ (406) 443-8987

cc: Southwest Power Pool, Inc.
South Dakota Public Utilities Commission



Certificate of Service

I hereby certify that I have this day served the foregoing document upon each person designated in the foregoing transmittal letter, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated this 1st day of April, 2019.

s/ Dori L. Quam

Dori Quam

Lead – Transmission Regulatory Support

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