



Nebraska Public Power District

"Always there when you need us"

June 15, 2018

Mary Ann Zehr
Sr. Mgr. Transmission Contracts, Rates, and Policy
Tri-State Generation and Transmission Association, Inc.
Direct Mail: 1100 W. 116th Ave., Westminster, CO 80234
FedEx or UPS: 3761 Eureka Way, Frederick, CO 80516

Re: Informal Transmission Formula Challenge

Dear Ms. Zehr,

In accordance with the Tri-State Generation and Transmission Association, Inc. Transmission Formula Rate Implementation Protocols, NPPD wishes to submit an Informal Challenge in accordance with the Tri-State Protocols Section III B (1) Informal Challenge Procedures.

The protocol states that Interested Parties shall have until June 15 to notify Tri-State in writing (which maybe electronically) of any specific Informal Challenges. It is NPPD's understanding that Tri-State shall appoint representatives to work with the Interested Party to resolve the Informal Challenge and make a good faith effort to respond to any Informal Challenge within twenty (20) days of notification of such Informal Challenge.

NPPD reserves the right to make a formal challenge in accordance with Section III C, depending on the response received through the Informal Challenge process.

Attachment 'A' identifies three issues that NPPD wishes to submit in accordance with these procedures.

Please confirm receipt of this challenge and identify the representatives that have been appointed to work with NPPD on these issues.

Sincerely,

Joel Dagerman, P.E.
Senior System Planning & Transmission Business Manager

cc: T.J. Kent
A.R. Wiese

T.L. Bender
T.S. Swartz

1. Schedule 1 Revenue Requirements (Page 2, Schedule 1)

On May 3, 2018, NPPD submitted a question to Tri-State questioning why Schedule 1 ATRR for year-ended 12/31/17 has not been reduced by any Schedule 1 Point-to-Point (PTP) revenue received by Tri-State during 2017 (Page 2, Schedule 1 Revenue Requirements). In a response received May 10, 2018, Tri-State acknowledged that Schedule 1 ATRR has not been reduced by any Schedule 1 PTP revenue, which for 2017 was \$20,999. By not reducing Schedule 1 ATRR by any Schedule 1 PTP revenue, Tri-State's Schedule 1 ATRR is overstated, which results in overpayment of said expenses by NPPD and other SPP Zone 17 Transmission Customers. NPPD hereby challenges Tri-State's failure to reduce its Schedule 1 ATRR to reflect the credit of PTP revenue. NPPD requests that Tri-State take corrective action to reduce its SPP Schedule 1 ATRR by applicable SPP Schedule 1 PTP revenues received.

2. Acct 565 – Transmission of Electricity By Others (Page 17, Worksheet O)

On Lines 2 & 3 of Worksheet O (Acct 565 – Transmission of Electricity by Others) of its Annual Update, Tri-State has included payments it has incurred under two Grandfathered Agreements (GFA) (#494 & #496) in the collective amount of \$1,359,900. NPPD hereby challenges the inclusion of these costs by Tri-State in its Annual Update. NPPD's position is supported by language in the SPP Tariff; more specifically, Section II. A. of Attachment L, which states,

Except by mutual agreement of the Parties to Grandfathered Agreements, the Transmission Provider shall have no claim to the revenues collected under such agreements, and shall not collect or allocate any revenues for transmission service related to such transactions. The Transmission Owner providing the transmission service under the Grandfathered Agreements, therefore, will continue to receive payment directly from the customer under the Grandfathered Agreement.

By placing these GFA costs into its Annual Update for recovery by SPP Zone 17 Transmission Customers, Tri-State has effectively required SPP to "collect or allocate revenues for transmission service related to such (GFA) transactions", which is in violation of the SPP Tariff.

Furthermore, it is NPPD's position that Tri-State has incurred these costs pursuant to contractual obligations executed to serve its load, and solely its load (as a load-serving entity). Therefore, in addition to NPPD, other SPP Zone 17 Transmission Customers, such as the Municipal Energy Agency of Nebraska (MEAN), South Sioux City, Northeast Nebraska Power, etc., should not have to bear any of the costs incurred by Tri-State which are associated with these two GFAs. Nor should SPP be distributing to Tri-State revenue collected from Zone 17 customers incurred by Tri-State under these two GFAs; The end result of such distribution would require NPPD and other Zone 17 customers to fund the reimbursement to Tri-State of costs incurred under these two GFAs.

Attachment A

NPPD has reflected the revenue received from these two GFAs (#494 & #496) as a revenue credit in Worksheet E of its Annual Update. For this reason, Section II.B.2(e) of Attachment L of the SPP Tariff, and not Section II.B.2(b), governs the resolution of this matter, which states:

The treatment described in paragraphs II.B.2(b)-(d) above is premised on the assumption that the annual transmission revenue requirement of the Transmission Owner that is the seller under a Grandfathered Agreement has not been reduced by the amount of the charges associated with the Grandfathered Agreement. In such circumstances, the parties to the Grandfathered Agreement will attempt to reach agreement on a treatment of the Grandfathered Agreement that results in appropriate compensation to the Transmission Owners in the Zone while preventing the imposition of excessive costs on others. If the Transmission Owners in the Zone are unable to reach agreement, either Transmission Owner may invoke the dispute resolution procedures of the Tariff or seek a determination from FERC as to the appropriate treatment of the Grandfathered Agreement charges.

As a result, NPPD requests Tri-State eliminate \$1,359,900 from its ATRR for costs related to GFAs #494 and #496 and included on Workpaper O – Acct 565-Transmission of Electricity by Others of its Annual Update.

3. Inclusion of Facilities associated with “Off System” Delivery Points

NPPD submitted the following question associated with the Tri-State ATRR submittal.

Transmission O&M Expenses - Tri-State uses the Gross Transmission Plant as an allocator for many of the Transmission O&M categories. The Basin Network Integrated Transmission Service Agreement (NITSA) identifies in Appendix 3 the Delivery Points that are considered OFF System and therefore are not a part of the SPP Transmission System. Exhibit TS-7 of the Tri-State FERC filing identifies Qualifying Facilities under Attachment AI of the SPP Tariff. The Exhibit TS-7 includes several of the delivery points that are listed as OFF System in the Basin NITSA. Were the assets related to OFF System delivery points included in the determination of the Gross Plant Allocator to determine the ATRR? If so, please justify.

Tri-State’s Response: *Included in the gross transmission plant calculation are those Tri-State assets that qualify for inclusion in rates under Attachment AI to the SPP Tariff on Exhibit TS-07. FERC reviewed and approved the inclusion of these facilities as part of the Partial Settlement Agreement in Docket No. ER16-204. A decision by Basin Electric and SPP to list these delivery points as “OFF System” delivery points in the Basin Electric NITSA does not affect their qualification under Attachment AI for inclusion in Tri-State’s rates and so does not preclude Tri-State from including the costs associated with those facilities in its ATRR.*

Change to 2018 Annual Update Calculation resulting from this request #2: *None.*

Attachment A

SPP defines its *Transmission System* as “The facilities used by the Transmission Provider to provide transmission service under Part II, Part III and Part IV of the Tariff.” Additionally, SPP’s Tariff states in Attachment AI-Transmission Definition-II. Criteria for Inclusion of Transmission Facilities that, “A *Transmission Facility* is a facility that is included as part of the *Transmission System*.”

It has been documented and accepted by FERC in the Basin NITSA that these delivery points are “Off System” delivery points. SPP has confirmed that the term “Off System” is synonymous with Load Not Physically Connected to the Transmission System and served under section 31.4 of the Tariff. SPP has confirmed that these delivery points are not considered a part of the SPP Transmission System and does not offer service from these delivery points. Therefore, in accordance with Attachment AI these delivery points should not be considered Transmission Facility and should not be included in the Gross Transmission Plant calculation in the determination of the Tri State ATRR for inclusion in the Zone 17 Schedule 9 ATRR.