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November 7, 2016

Stuart Tommerdahl

Otter Tail Power Company

215 South Cascade Street  
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Mr. Stuart Tommerdahl:

Missouri River Energy Services (MRES) continues to have concerns on a number of matters related to Otter Tail Power (OTP) transmission rates. One of the issues is related to two OTP projects that are pending approval in Appendix A of Midwest ISO Transmission Expansion Plan (MTEP)16. As you know, MRES has expressed concerns related to the need for these facilities in various forums and to Midcontinent Independent System Operator, Inc. (MISO) previously. MRES also has a few other issues we would like to ask OTP to respond to that are directly related to OTP pricing zone rates.

MRES has the following questions related to the MTEP projects briefly discussed above and other issues related to OTP pricing zone:

1. Please detail the costs included in the OTP formula rate templates for the MTEP projects #10003, and #11743 for the following formulate rate templates; 2015 historical, 2016 Forward Looking Test Year (FLTY), and 2017 FLTY?  
     
   **OTP Response:**
   1. **2015 Historical – zero**
   2. **2016 FLTY – zero**
   3. **2017 FLTY, MTEP #10003:**
      1. **Plant-in-service - $1,667,517**
      2. **Accumulated Depreciation – ($46,702)**
      3. **Net Plant-in-service - $1,620,815**
      4. **Depreciation Expense - $46,702**

**2017 FLTY, MTEP #11743:**

1. **Plant-in-service - $1,232,516**
2. **Accumulated Depreciation – ($34,519)**
3. **Net Plant-in-service - $1,197,997**
4. **Depreciation Expense - $34,519**
5. Given the proposed MTEP projects #10003, and #11743, please detail the amount of load on a 12 Coincident Peak basis, OTP anticipates avoiding Southwest Power Pool (SPP) transmission service charges in the Upper Missouri Zone in the SPP with the identified MTEP projects.  
     
   **OTP Response: The scope for inquiry established by the Information Exchange Procedures of Attachment O-OTP to the MISO Tariff is the actual net revenue requirement, True-Up Adjustment and projected net revenue requirement. OTP does not understand how this request #2, which asks about OTP transmission service on SPP, is within this scope. Accordingly, OTP has no further response to this request.**
6. Please detail the annual estimated cost savings for SPP Transmission Service that is avoided as a result of each MTEP project, individually by project and in total?  
     
   **OTP Response: As noted in response to request #2, the scope for inquiry established by the Information Exchange Procedures of Attachment O-OTP to the MISO Tariff is OTP’s actual net revenue requirement, True-Up Adjustment and projected net revenue requirement. OTP does not understand how this request #3, which asks about OTP transmission service on SPP, is within this scope. Accordingly, OTP has no further response to this request.**
7. Please describe if SPP has affirmed OTP’s ability to eliminate the SPP Transmission Service charges for the load noted above, related to the MTEP projects.  
     
   **OTP Response: As noted in response to request #2, the scope for inquiry established by the Information Exchange Procedures of Attachment O-OTP to the MISO Tariff is OTP’s actual net revenue requirement, True-Up Adjustment and projected net revenue requirement. OTP does not understand how this request #4, which asks about OTP communication with SPP about transmission service charges, is within this scope. Accordingly, OTP has no further response to this request.**
8. Provide the policy or criteria that is being used to pursue the “Grid Modernization” efforts that were recently referenced to help justify the need for these projects?
   1. Please detail if the Grid Modernization is defined in the OTP Transmission Planning Criteria, Guidelines and Study Procedures publically posted?
   2. If the Grid Modernization effort is related to directives from OTP state regulatory authorities, please provide that information from those regulatory authorities.
   3. If OTP has constructed other projects intended to satisfy the Grid Modernization initiative within the past five years, please detail those projects including transmission gross plant and transmission net plant for those projects.   
        
      **OTP Response: A broad range of work undertaken by OTP in recent years has served to further the company’s grid modernization efforts. OTP does not track this work with any single classification. Otter Tail’s efforts in this regard are consistent with initiatives of the Department of Energy and the states in which OTP serves customers.[[1]](#footnote-1) OTP’s Transmission Planning Criteria, Guidelines and Study Procedures document identified in request #5a is intended to communicate OTP’s system performance criteria (*i.e*. acceptable voltage and loading criteria) and procedures used when performing studies of the Bulk Power System (100 kV and above), and therefore is not intended to define grid modernization.**
9. What is the five year forecast for the implementation of other Grid Modernization projects?

**OTP Response: As noted in response to request #5, OTP does not track its grid modernization efforts with any single classification; therefore, OTP does not have a specific forecast that is responsive to this request. OTP will continue to expend capital on grid modernization efforts throughout its system in coming years.**

1. Please detail the combined total load for all entities in the OTP pricing zone used to calculate the overall OTP pricing zone Network Service rates (MISO Schedule 9) that are included in denominator of the OTP pricing zone rate calculations (OTP, MRES, Great River Energy, Central Power Electric Cooperative, other independent municipals, or other miscellaneous loads, etc.)

**OTP Response: MISO is responsible for calculating the Network Service rate (MISO Schedule 9) for the OTP pricing zone. The load information that MISO includes is posted on the MISO website at the following link:** https://www.misoenergy.org/Library/Pages/ManagedFileSet.aspx?SetId=259

1. Please describe any instances where there may be network load not included in the rates for the OTP pricing zone, specifically related to changes from 2015 to 2016.   
     
   **OTP Response: As noted in response to #7, MISO is responsible for calculating the Network Service rate (MISO Schedule 9) for the OTP pricing zone. Any questions about the network load included in that rate calculation should be directed to MISO.**
2. Please detail any OTP transmission facilities outside of the MISO Balancing Authority Area defined boundaries or OTP transmission facilities serving OTP load explicitly in SPP.  
    **OTP Response: OTP does not understand the relevance of Balancing Authority Area boundaries with regard to OTP’s formula rate in MISO. Furthermore, all OTP transmission facilities serve OTP load in MISO.**
3. Please detail the transmission gross plant and transmission net plant associated with the facilities that are outside of the MISO Balancing Authority Area or OTP transmission facilities serving OTP load explicitly in SPP.  
     
   **OTP Response: As noted in response to request #9, all OTP transmission facilities serve OTP load in MISO.**
4. Please describe if OTP has removed any facilities from OTP pricing zone rates related to OTP taking network service in SPP.  
     
   **OTP Response: OTP has not removed any facilities from OTP pricing zone rates related to OTP taking network service in SPP.**

Respectfully,

//signed//

Terry Wolf

Manager, Transmission Services

1. *See, e.g.*, http://energy.gov/under-secretary-science-and-energy/grid-modernization-initiative; MN Docket Nos. E999/CI-15-556 and E999/CI-08-948. [↑](#footnote-ref-1)