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March 15, 2017

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

Re: Rochester Public Utilities, Docket No. ER16-\_\_\_\_-000  
Informational Filing of Annual Transmission Formula Rate Update and True-Up

Dear Secretary Bose:

Pursuant to the Federal Energy Regulatory Commission's ("Commission") orders in Docket Nos. EL12-35<sup>1</sup> and ER13-2379<sup>2</sup> and the formula rate protocols set forth in Attachment O of the Midcontinent Independent System Operator, Inc.'s ("MISO") Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff"), Rochester Public Utilities ("RPU"), submits for informational purposes this letter and supporting materials ("Informational Filing") that reflect RPU's projected net revenue requirement effective January 1, 2017. The projected net revenue requirement is based on projected cost data for calendar year 2017 as reported in the company-specific Attachment O-RPU pursuant to the Commission-approved formula rate contained in Attachment O of the MISO Tariff.

## **I. BACKGROUND**

RPU is a division of the City of Rochester, Minnesota, and a municipal utility. As a municipal utility, RPU is not a "public utility" as defined in the Federal Power Act.<sup>3</sup> RPU became a Transmission-owning Member of MISO ("MISO") TO effective as of December 1, 2014. As a MISO TO, RPU recovers its annual transmission revenue requirement ("ATRR") under Attachment O to the MISO Tariff. The currently effective Attachment O-RPU transmission

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<sup>1</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,127 (2012) ("May 2012 Order"), *order on investigation*, 143 FERC ¶ 61,149 (2013) ("May 2013 Order").

<sup>2</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 146 FERC ¶ 61,212 (2014) ("March 2014 Order"), *reh'g denied*, 150 FERC ¶ 61,024 (2015).

<sup>3</sup> 16 U.S.C. §§ 824(e)-(f).

formula rate was accepted for inclusion in the MISO Tariff in Docket Nos. ER15-277, to be effective January 1, 2015.<sup>4</sup> Attachment O-RPU is a forward looking formula with a true-up. Attachment O-RPU includes an Annual True-up, Information Exchange, and Challenge Procedures (“Protocols”) that govern the formula rate and true-up process.

The Commission’s May 2013 Order found that the formula rate protocols contained in MISO’s Tariff, were insufficient to ensure just and reasonable rates, and directed MISO and the identified MISO transmission owners to file revised formula rate protocols to enhance the scope of participation by interested parties, increase transparency in the information provided to interested parties, adopt procedures by which interested parties can challenge a transmission owner’s implementation of its formula rate, and establish a requirement that MISO and transmission owners make an annual informational filing with the Commission.<sup>5</sup>

With regard to the annual informational filing, the Commission required the submission of “annual informational filings of [each transmission owner’s] formula rate updates . . . following the time period allowed for parties to review the updates and for transmission owners to respond to information and document requests.”<sup>6</sup> The Commission stressed that these filings would “be just that, informational,”<sup>7</sup> that they “are not themselves rates and do not constitute changes in the underlying rate itself.”<sup>8</sup>

In its March 2014 Order, the Commission “require[d] all MISO transmission owners to submit informational filings in separate docket numbers”<sup>9</sup> and stated that “formal challenges should be filed in the same docket as the informational filing.”<sup>10</sup> The Commission also “direct[ed] MISO to provide notification of the filing through the email ‘exploder’ list to be maintained by MISO, and by posting the docket number assigned to each transmission owner’s informational filing on the MISO website and [Open Access Same-Time Information System (“OASIS”)] within five days of such filing.”<sup>11</sup> The Commission further directed “that the informational filings contain information necessary to review the reasonableness of projected costs for transmission owners with forward-looking rates.”<sup>12</sup>

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<sup>4</sup> *Midcontinent Indep. Sys. Operator, Inc.*, 149 FERC ¶ 61,282 (2014), *reh’g denied*, 158 FERC ¶ 61,143 (February 3, 2017).

<sup>5</sup> May 2013 Order at PP 1, 17-18.

<sup>6</sup> *Id.* at P 92.

<sup>7</sup> *Id.* at P 92 n.142.

<sup>8</sup> *Id.* at P 85.

<sup>9</sup> March 2014 Order at P 71.

<sup>10</sup> *Id.* at P 70; *see also id.* at P 113 (“We also direct the MISO Transmission Owners to propose Tariff revisions to clarify that formal challenges should be filed in the informational filing dockets.”).

<sup>11</sup> *Id.* at P 71.

<sup>12</sup> *Id.* at P 62.

## II. COMMUNICATIONS

RPU respectfully requests that all communications and correspondence in this proceeding be served on the following:

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## III. INFORMATIONAL FILING

Section VI of RPU's Protocols provides that, by March 15 of each year, RPU shall submit an annual informational filing to the Commission including information that is reasonably necessary to determine:

1. That input data under the formula rate are properly recorded in the underlying workpapers;
2. That RPU has properly applied the formula rate and the protocol procedures;
3. The accuracy of data and the consistency with the formula rate of the Transmission Revenue Requirement and rates under review;
4. The extent of accounting changes that affect the formula rate inputs; and
5. The reasonableness of projected costs.

The Protocols also require that the informational filing must describe any corrections or adjustments made during the information exchange and informal challenge periods, and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the informal or formal challenge procedures. Section V of RPU's Protocols also specifies that any changes or adjustments to the True-Up Adjustment or projected net revenue requirement resulting from the information exchange and informal challenge processes that are agreed to by RPU on or before December 1 will be reflected in the projected net revenue requirement for the upcoming rate year, and that any changes agreed to by RPU after December 1 will be reflected in the following year's Annual True-Up.

In response to these requirements, the RPU provides the following:<sup>13</sup>

Attachment A: Populated formula rate template showing RPU's projected net revenue requirement effective January 1, 2017 using projected cost data for 2017 and RPU's Annual True-Up.

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<sup>13</sup> RPU is providing its populated rate template and underlying workpapers in their native format (e.g., Microsoft Excel) fully populated and with formulas intact.

- Attachment B-1: An Excel workbook containing a populated formula rate template showing RPU's projected net ATRR effective January 1, 2017 using projected cost data for 2017 and RPU's Annual True-Up, along with supporting documentation and workpapers for all inputs that are not otherwise available in RPU's Annual Reports, including other material to support the reasonableness of projected costs.
- Attachment B-2: A populated formula rate template showing RPU's actual ATRR for calendar 2015, the calculation of accrued interest on the True-up amount, and supporting documentation and workpapers for all inputs that are not otherwise available in RPU's Annual Reports.
- Attachment B-3: A populated formula rate template showing RPU's actual ATRR for December 2014, the calculation of accrued interest on the True-up amount, and supporting documentation and workpapers for all inputs that are not otherwise available in RPU's Annual Reports.
- Attachment B-4: A support document that develops the combined 2014 and 2015 True-up Adjustment included in RPU's 2017 Forward Looking Attachment O.

There were no accounting changes that affect the formula rate inputs or corrections or adjustments made during the information exchange or informal challenge process, other than corrections and adjustments made in response to MISO review as Tariff administrator. There are no aspects of the formula rate and its inputs that are subject to an ongoing dispute under the information or formal challenge procedures

RPU's Protocols require that RPU's Annual True-Up be posted on MISO's website and OASIS by June 1 of each year (or the next business day if June 1 falls on a weekend or Commission holiday) and that MISO provide notice of such posting within ten days. The posting of the Annual True-Up triggers the commencement of the information exchange period and challenge period under the RPU's Protocols. No information requests or challenges were submitted.

RPU's Protocols also require that RPU provide its projected net revenue requirement for the following year to MISO on or before October 1, and that MISO provide notice of such posting within ten days. Interested Parties had until December 1, 2016 to submit information requests, and RPU was required to make a good faith effort to respond to all requests within fifteen business days, but by no later than January 10, 2017. Interested Parties had until February 1, 2017 to submit informal challenges to RPU, and RPU was required to make a good faith effort to respond to all informal challenges within twenty business days, but by no later than February 28, 2017. RPU has complied with all of these procedures. However, no party filed an informal challenge.

Under RPU’s Protocols, Interested Parties have until April 15, 2017 to file formal challenges with the Commission.

The following table summarizes the RPU’s compliance with specific deadlines set forth in the protocols:

<b>Due Date</b>	<b>Activity</b>	<b>Date Activity Completed</b>
June 1, 2016	Calculate Annual True-Up, actual net revenue requirement, and True-Up Adjustment, and provide to MISO for posting/distribution	Initial posting May 24, 2016 Final posting January 19, 2017
10 Days After Posting	MISO provides notice to exploder list	May 24, 2016
September 1, 2016	Hold annual open meeting on Annual True-Up	August 31, 2016
October 1, 2016	Calculate projected net revenue requirement and provide to MISO for posting/distribution	Initial posting September 27, 2016 Final posting January 19, 2017
10 Days After Posting	MISO provides notice to exploder list	September 28, 2016
October 31, 2016	Hold annual open meeting on projected net revenue requirement	October 28, 2016
November 2, 2016	Hold joint informational meeting on regionally cost-shared projects	October 31, 2016

#### **IV. NOTICE**

In accordance with Section VI.A of RPU’s Protocols, RPU will notify MISO of this filing and provide the docket number for posting on the MISO website and OASIS and notification via MISO’s email exploder list within five days of the date of this filing.

**V. CONCLUSION**

Please contact the undersigned if you have any questions regarding this submission.

Very truly yours,

JENNINGS, STROUSS & SALMON, P.L.C.

A handwritten signature in black ink, appearing to read "Debra Roby". The signature is written in a cursive, flowing style.

By

Debra Roby

Encl.

cc: Mark Kotschevar, RPU