

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

ALLETE, Inc.)	Docket Nos. ER16-1107
Great River Energy)	ER16-1108
Midcontinent Independent System)	ER16-1116
Operator, Inc.)	(not consolidated)

**SUPPLEMENTAL JOINT ANSWER OF ALLETE, INC. AND
GREAT RIVER ENERGY**

Pursuant to Rule 212 and 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission¹ (“FERC” or “Commission”), ALLETE, Inc. (“ALLETE”) and Great River Energy (“GRE”) hereby file this Supplemental Joint Answer in response to the Supplemental Protest of Missouri River Energy Services (respectively, “Supplemental Protest” and “MRES”)² and Comments of Residents and Ratepayers Against the Not-So-Great Northern Transmission Line (respectively, “RRANT Comments” and “RRANT”). As explained below, both MRES’s Supplemental Protest and RRANT’s Comments lack merit, even assuming that they are properly raised in response to the four “Zonal Agreements”³ filed by the Midcontinent Independent System Operator, Inc. (“MISO”), ALLETE and GRE in this proceeding.

MRES files its Supplemental Protest on behalf of two members, Wadena Electric and Water (“Wadena”) and the City of Staples, Minnesota (“Staples”). MRES’s Supplemental

¹ 18 C.F.R. §§ 385.212 and 385.213 (2015).

² The Supplemental Protest is the second protest filed by MRES in this proceeding. MRES filed a Motion to Intervene, and Protest, and for Extension of Time on March 24, 2016 (“Initial Protest”). ALLETE and GRE filed a Joint Answer to the Initial MRES Protest on March 29, 2016 (“Joint Answer”). As explained below, MRES’s Supplemental Protest raised several of the same concerns as its Initial Protest.

³ The Zonal Agreements include: (1) Coordinated Local Planning Agreement (“Local Planning Agreement”); (2) Joint Pricing Zone Revenue Allocation Agreement (“JPZ Agreement”); (3) Revenue Credit Agreement for the Great Northern Transmission Line Project (“GNTL Credit Agreement”); and (4) Wholesale Distribution Service Agreement (“WDSA”).

Protest is made in anticipation of events that have not yet occurred: (1) the termination of the “grandfathered” agreements currently being used to serve Wadena and Staples; and (2) MRES assuming the obligation to serve Wadena and Staples as load in the “MP Pricing Zone” under MRES’s Network Integration Transmission Service Agreement with MISO.⁴ Similar to its Initial Protest, MRES continues to argue in its Supplemental Protest that ALLETE and GRE have not met their burden of proof to show that the Zonal Agreements are just, reasonable and not unduly discriminatory.⁵

Based on select quotes taken from the transmittal letter accompanying the Zonal Agreements (“Transmittal Letter”), MRES first argues that ALLETE and GRE have not explained why the Zonal Agreements will not have third-party rate impacts.⁶ As discussed below, this argument is simply wrong. ALLETE and GRE were absolutely clear that they have not removed, or added, facilities or load from, or to, the MP Pricing Zone for purposes of the JPZ Agreement.

MRES next argues that ALLETE and GRE have structured their Local Planning Agreement to create “self-serving”⁷ bias so that certain assets are misclassified as transmission assets eligible for rate recovery under ALLETE’s Attachment O.⁸ MRES makes this argument without identifying any specific misclassified facility. With respect to the one facility that MRES has identified in its Supplemental Protest – the Great Northern Transmission Line

⁴ See Initial Protest at 3.

⁵ Supplemental Protest at 2.

⁶ *Id.* at 2-3.

⁷ *Id.* at 2.

⁸ *Id.* at 4 (stating that “[A]pplicants are attempting to bias, in their favor, the process for including facilities in the revenue requirement, which will be collected through Attachment O.”).

("GNTL") – MRES does not dispute that the GNTL is a transmission facility. Instead, MRES attempts to argue that uncertainty surrounding the GNTL's financing requires a hearing to evaluate how the GNTL's costs will be recovered by ALLETE through the Zonal Agreements. However, there is no uncertainty surrounding the GNTL's financing. The GNTL's financing arrangements have been clearly presented to, and approved by, both the Minnesota Public Utilities Commission ("MPUC") in Docket No. E-015/CN-12-1163⁹ and the Commission in Docket No. ER14-2950,¹⁰ and, therefore, are not at issue in this proceeding.

With respect to RRANT's Comments, RRANT, in large part, adopts the concerns raised by MRES.¹¹ RRANT does not seek intervenor status in this proceeding but nevertheless raises concerns related to the "need" of the GNTL. RRANT never defines its interests, or its relationship to ALLETE or GRE.

I. MOTION FOR LEAVE TO FILE ANSWER

ALLETE and GRE respectfully seek leave to answer MRES's Supplemental Protest and RRANT Comments which, in large part, adopt the concerns raised by MRES. As explained below, both MRES's Supplemental Protest and RRANT's Comments include misstatements of law and fact in their criticism of the Zonal Agreements. This Supplemental Joint Answer clarifies these misstatements and will assist the Commission in its decision-making process with

⁹ The financing arrangements underlying the GNTL were approved by the MPUC in the GNTL's Certificate of Need ("CON") filing. *See In the Matter of the Request of Minnesota Power for a Certificate of Need for the Great Northern Transmission Line, Order Granting Certificate of Need with Conditions*, MPUC Docket No. E-015/CN-12-1163 (Jun. 30, 2015) ("CON Order").

¹⁰ The financing arrangements underlying the GNTL were also included in the Facilities Construction Agreement ("FCA") filed by ALLETE and a subsidiary of Manitoba Hydro, which are the two parties financing the GNTL's development and construction. The FCA was accepted by the Commission on November 25, 2014. *See ALLETE, Inc., Filing of Executed Multi-Party Facilities Construction Agreement*, Docket No. ER14-2950 (filed Sept. 26, 2014); *ALLETE, Inc.*, 149 FERC ¶ 61,161 (2014).

¹¹ *See* RRANT Comments 1-10.

respect to the substantive issues raised by MRES and RRANT, and, therefore, should be accepted by the Commission.¹²

II. JOINT ANSWER

A. **The Commission should reject MRES’s assertion that ALLETE and GRE have not satisfied the Commission’s standards for revenue sharing and inclusion of assets in MISO pricing zones.**

Appendix C, Article III, Section A.8 of the MISO Transmission Owners Agreement (“TOA”) establishes the scope of obligations of transmission owners in the same MISO pricing zone to negotiate a mutually-agreeable revenue sharing arrangement.¹³ Specifically, Appendix C, Article III, Section A.8 provides that where there are multiple transmission owners within a pricing zone, MISO will distribute revenue to a single transmission owner within the pricing zone. In turn, this transmission owner will distribute the revenue to the other members of its zone using a methodology that will, to “the greatest extent possible, minimize cost shifts so that the [o]wners shall continue to receive the revenues they would have received absent the formation of MISO.”¹⁴

¹² See, e.g., *PJM Interconnection, L.L.C.*, 114 FERC ¶ 61,108 (2006) (accepting an answer where “it further clarifies the issues and assisted in [the Commission’s] decision making process”); *N.Y. Indep. Sys. Operator, Inc.*, 91 FERC ¶ 61,218 at 61,797 (2000) (allowing an answer as “useful in addressing the issues arising in these proceedings”); *Cent. Hudson Gas & Elec. Corp.*, 88 FERC ¶ 61,138 at 61,381 (1999) (accepting pleadings because they helped to clarify the issues and because of the complex nature of the proceeding).

¹³ MISO TOA, Appendix C, § III.A.8.

¹⁴ Appendix C, Article III, Section A.8 of the MISO TOA states:

The Owners located within a Zone that has more than one (1) Owner shall appoint a single Owner or designee to receive the revenues allocated to the Zone and to further distribute such revenues pursuant to agreement of the Owners within the Zone. If the Owners in a Zone cannot agree to a methodology for distributing such revenues, Owners may seek recourse through the Dispute Resolution procedures under Attachment HH of the Tariff or the Owners may go to the FERC for resolution. An intra-Zonal revenue distribution methodology shall, to the greatest extent possible, minimize cost shifts so that the Owners shall continue to receive the revenues they would have received absent the formation of MISO.

Id.

This framework provides MISO transmission owners wide commercial latitude when negotiating joint pricing zone revenue sharing agreements, and results in exactly the type of transmission-owner-specific, bilateral negotiations undertaken by ALLETE and GRE to formulate the JPZ Agreement, as well as the other Zonal Agreements. MRES fails to explain why ALLETE and GRE have failed to satisfy Appendix C, Article III, Section A.8.

MRES only asserts that ALLETE and GRE have provided no support for the proposition that the Zonal Agreements have no third-party rate impacts. MRES, however, fails to acknowledge ALLETE's and GRE's express statement in the Transmittal Letter, which explains that ALLETE and GRE have not removed, or added, facilities or load from, or to, the MP Pricing Zone for purposes of the JPZ Agreement.¹⁵ MRES cannot ignore the facts presented in the Transmittal Letter—i.e., that no facilities or load have been removed from the MP Pricing Zone—and then summarily argue that ALLETE and GRE have not satisfied the standard to make an asset eligible for revenue sharing under a joint pricing zone agreement. Thus, in effect, requiring ALLETE and GRE “prove a negative.” The Commission should reject MRES's attempt to make unsubstantiated arguments based on selective citations to the Transmittal Letter.

¹⁵ The Transmittal Letter states:

ALLETE and GRE have not removed facilities or load from the MP Pricing Zone. Therefore, there is no impact on the revenue requirement or load (and thus potentially a load-ratio share) that would be used to calculate the transmission rate for a third party. Therefore, the settlement underlying the JPZ Agreement has no third-party rate impact. Instead, it simply reflects a bilateral settlement agreement between ALLETE and GRE to avoid litigation.

Transmittal Letter at 9 (emphasis added).

B. The Local Planning Agreement does not provide a mechanism for ALLETE and GRE to usurp MISO's standards for establishing an asset's eligibility for recovery as transmission.

MRES argues that the processes used by the Local Planning Agreement's "Management Committee" to identify facilities eligible for cost sharing under the JPZ Agreement (i.e., Zonal Transmission Facilities) denies third parties the ability to challenge a facility's eligibility for cost recovery under ALLETE's Attachment O.¹⁶ MRES argues that stakeholders cannot challenge these designations because they are not part of the Local Planning Agreement's Management Committee and cannot participate in the Local Planning Agreement's dispute resolution procedures.¹⁷ MRES's concerns are not justified and should be rejected.

First, as explained in the Transmittal Letter, the Local Planning Agreement is intended to facilitate coordination between ALLETE and GRE when formulating local transmission planning solutions that are ultimately fed up to MISO for the Transmission Expansion Planning Process ("MTEP"). There is no MISO tariff obligation for ALLETE and GRE to engage in the type of coordinated local planning set forth in the Local Planning Agreement before feeding information into the MTEP. Consequently, because the Local Planning Agreement is filed with the Commission, the agreement provides stakeholders more transparency (not less, as MRES argues) regarding how ALLETE and GRE coordinate local planning and what standards are used for transmission solutions that are fed into the MTEP. No stakeholder has been (or will be) denied access to information or procedures to which they may otherwise have been entitled. Any concerns that MRES (or any other party) may have about ALLETE and GRE's mutually agreed-

¹⁶ See Supplemental Protest at 3-4.

¹⁷ See *id.*

upon local transmission planning solutions (including a facility's qualification as transmission) can be addressed in the normal MISO MTEP stakeholder process.

Second, MRES misstates the ability of an interested third party to challenge an asset's eligibility for cost recovery under ALLETE's Attachment O. Stakeholders can raise concerns through ALLETE's Attachment O challenge procedures if they do not believe that an asset should be subject to cost recovery under ALLETE's Attachment O. ALLETE and GRE are not attempting to "bias" their Attachment O cost recovery to their favor.

C. The GNTL's financing arrangements are clear and have been approved by both the MPUC and the Commission.

MRES attempts to support its protest of the Zonal Agreements by alleging that open questions still exist concerning the GNTL's financing and these alleged open questions must be reviewed in the context of the Zonal Agreements.¹⁸ Specifically, MRES argues that it is not clear if the GNTL will be participant-funded by either or both a subsidiary of Manitoba Hydro and/or ALLETE.¹⁹ There are no open questions concerning how the GNTL will be financed. Both the MPUC and the Commission have approved the financing arrangements underlying the GNTL when granting the GNTL's CON in MPUC Docket No. E-015/CN-12-1163²⁰ and when accepting the FCA filed by MISO and ALLETE in Commission Docket No. ER14-2950.²¹ This financing arrangement is summarized in ALLETE and GRE's Joint Answer and will not be

¹⁸ *Id.* at 4-5.

¹⁹ *Id.*

²⁰ See CON Order; ALLETE, Inc., *Filing of Executed Multi-Party Facilities Construction Agreement*, Docket No. ER14-2950 (filed Sept. 26, 2014); ALLETE, Inc., 149 FERC ¶ 61, 161 (2014).

²¹ See ALLETE, Inc., *Filing of Executed Multi-Party Facilities Construction Agreement*, Docket No. ER14-2950 (filed Sept. 26, 2014); ALLETE, Inc., 149 FERC ¶ 61,161 (2014).

repeated here.²² To reiterate for MRES's benefit, however, the Manitoba Hydro subsidiary's investment in the GNTL is being participant-funded, as established by the FCA and accepted by the Commission in Docket No. ER14-2950. The Transmittal Letter does not request guidance on the Manitoba Hydro subsidiary's portion of the GNTL because that was already approved when the FCA was accepted by the Commission.

Indeed, MRES's concern appears to be based on an argument that certain customers may not benefit from the GNTL and should not be obligated to pay transmission rates including the GNTL's costs. The GNTL was vetted through the MTEP process, and MISO approved the GNTL as an MTEP Appendix A project on December 11, 2014.²³ As explained above, to the extent that MRES has a concern regarding the GNTL's eligibility for cost recovery under the MISO Tariff (i.e., ALLETE's investment in the GNTL), MRES should raise such a concern through ALLETE's Attachment O challenge procedures and not in this proceeding.

D. The Commission should reject RRANT's Comments.

First, RRANT fails to provide the basic information necessary to establish an interest in this proceeding relative to the Commission's jurisdiction over the Zonal Agreements under the Federal Power Act. RRANT has not described itself, its relationship to ALLETE or GRE or its interests relative to the Zonal Agreements. For instance, RRANT references "unwilling parties" but never says who such parties may be or their relationship to RRANT.²⁴ Second, RRANT's comments in this proceeding are focused, in large part, on reiterating challenges RRANT raised

²² See *Joint Answer of Allete, Inc. and Great River Energy*, Docket Nos. ER16-1107, ER16-1108, ER16-1116 (filed March 29, 2016).

²³ See MTEP 2014, MISO Transmission Expansion Plan, <https://www.misoenergy.org/Planning/TransmissionExpansionPlanning/Pages/MTEP14.aspx> (last visited Apr. 19, 2016) (including GNTL for MISO Board of Directors approval as an Appendix A project).

²⁴ RRANT Comments at 2.

at the MPUC concerning the “need” for the GNTL under the relevant Minnesota state law requirements.²⁵

Indeed, RRANT is raising arguments in this docket which the MPUC has already rejected as unpersuasive or irrelevant.²⁶ For example, RRANT states that the GNTL is “an extremely high capacity transmission line” compared to ALLETE’s capacity needs under power purchase agreements, transmission requests and analyses.²⁷ RRANT argues that a smaller 230 kV transmission line would be better in meeting ALLETE’s needs rather than a 500 kV transmission line.²⁸ RRANT also claims that the GNTL, as proposed, is but a single segment of a much longer planned transmission line, and that no studies have examined the benefits of this section as a separate project.²⁹ The MPUC previously rejected both of these arguments. The MPUC found RRANT’s arguments in favor of a smaller transmission line to be unpersuasive, and failed to account for the negative cost implications of a smaller line.³⁰ The MPUC also rejected RRANT’s claim that the proposed project is part of a longer transmission line as irrelevant in the CON proceeding.³¹

²⁵ See *RRANT Initial Brief*, MPUC Docket No. E15/CN-12-1163 (Dec. 19, 2014); *RRANT Reply Brief*, MPUC Docket No. E15/CN-12-1163 (Jan. 16, 2015).

²⁶ See CON Order at 23-24.

²⁷ RRANT Comments at 2.

²⁸ *Id.*

²⁹ *Id.* at 3.

³⁰ The MPUC noted that the estimated costs of a 230 kV line would be borne entirely by ALLETE ratepayers, and would be significantly higher than ALLETE’s proposed 500 kV line. Due to the agreements reached with Manitoba Hydro, ALLETE ratepayers would bear only 28.3 percent of the capital costs for the proposed project and one third of the operations and maintenance costs. In addition, the proposed project would add significantly less in MISO revenue requirements than a 230 kV line. CON Order at 23. The MPUC also found that the 230 kV transmission line would not provide the same long-term benefits that a 500 kV line could offer. *Id.*

³¹ *Id.* at 24.

Regardless, the MPUC granted the GNTL a CON on June 30, 2015³² and this proceeding is not the correct forum for RRANT to reiterate concerns regarding the MPUC's decision. To the extent that RRANT adopts MRES's protests, such protests are addressed in ALLETE and GRE's Initial Answer and this Supplemental Joint Answer.

III. CONCLUSION

MRES's Supplemental Protest and RRANT's Comments are based on misstatements of fact and/or are not properly raised in this proceeding and should be rejected. For the reasons explained in the Transmittal Letter, as well as in ALLETE and GRE's Initial Answer and this Supplemental Joint Answer, ALLETE respectfully requests that the Commission accept the Local Planning Agreement, JPZ Agreement, GNTL Credit Agreement and WDSA to be effective as requested.

Respectfully submitted,

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³² *Id.* at 1.

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CERTIFICATE OF SERVICE

I hereby certify that I have this 19th day of April, 2016, served the foregoing Supplemental Joint Answer of ALLETE, Inc. and Great River Energy on all parties as indicated on the service list as compiled by the Commission in this proceeding.

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