

March 8, 2016

VIA ELECTRONIC FILING

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

Re: **ALLETE, Inc.**
**Notice of Cancellation of “Grandfathered” Network Integration
Transmission Service Agreement Between ALLETE and Great River Energy
Docket Nos. ER00-1714, ER01-2583, and ER02-830**

Dear Secretary Bose:

Under Section 205 of the Federal Power Act, 16 U.S.C. § 824d (2012), and Section 35.15 of the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) regulations, 18 C.F.R. § 35.15 (2015), ALLETE, Inc. (“ALLETE”) and the Midcontinent Independent System Operator, Inc. (“MISO”) ¹ hereby submit this Notice of Cancellation of the “grandfathered” February 20, 2000 Network Integration Transmission Service Agreement (“Service Agreement” or “GFA”) between ALLETE and Great River Energy (“GRE”) (collectively, the “Parties”). ALLETE and MISO respectfully request the Commission accept the cancellation of the Service Agreement, effective August 1, 2013, for the reasons explained below.

I. BACKGROUND

A. Zonal Agreements and Termination of the GFA

This Notice is being filed concurrently with four proposed agreements between ALLETE and GRE, which all seek a proposed August 1, 2013 effective date. These agreements are: (1) a Coordinated Local Planning Agreement (“Local Planning Agreement”); (2) a Joint Pricing Zone

¹ MISO joins this filing as the administrator of its Open Access Transmission, Energy and Operating Reserve Markets Tariff (“Tariff” or “MISO Tariff”), but takes no position on the substance of the filing and reserves the right to comment or protest.

Revenue Allocation Agreement (“JPZ Agreement”); (3) a Revenue Credit Agreement for the Great Northern Transmission Line Project (“GNTL Credit Agreement”); and (4) a Wholesale Distribution Service Agreement (“WDSA”) (collectively, “Zonal Agreements”). The negotiation of the Zonal Agreements took two years of informal settlement discussions between ALLETE and GRE and, in effect, are a comprehensive “black box” settlement between ALLETE and GRE to resolve many separate (but related) issues concerning the way that ALLETE and GRE compensate each other for use of certain transmission and distribution facilities as well as engage in coordinated local planning pursuant to their respective local planning obligations under the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (“Tariff”). Under their settlement arrangement, the Zonal Agreements are a “package deal” meant to resolve all of ALLETE’s and GRE’s disputes and to avoid litigation.

The negotiations of the Zonal Agreements were the result of ALLETE’s and GRE’s decision to replace the GFA with a joint pricing zone arrangement (i.e., the JPZ Agreement) and a wholesale distribution services agreement (i.e., the WDSA) to govern payment obligations previously contained in the GFA.² When negotiating these agreements, the Parties identified several other disputed issues. Specifically, issues arose concerning: (i) the Parties’ respective local transmission planning processes and the goal of jointly planning transmission facilities, while working towards the goal of revenue neutrality, and (ii) crediting of GNTL-related costs as an offset to payments that otherwise may be due under the JPZ Agreement (and subsequent revenue sharing agreements). As a result, in addition to the JPZ Agreement and the WDSA, the Parties negotiated the Local Planning Agreement and the GNTL Credit Agreement.

The commercial benefits underlying the settlement reflected in the Zonal Agreements are premised on the GFA being superseded August 1, 2013. Thus ALLETE seeks to terminate the GFA, effective August 1, 2013, to allow the JPZ Agreement and WDSA, as well as the other Zonal Agreements, to go into effect, based on the negotiated rates, terms and conditions included therein, subject to Commission approval.

In their submission to the Commission seeking approval of the Zonal Agreements, ALLETE and GRE explain that they have made no billing or payments under the GFA since August 1, 2013. ALLETE and GRE also explain in their submission seeking approval of the Zonal Agreements that, to date, no payments (or credits) have been made by either ALLETE or GRE under any of the Zonal Agreements. Such payments are being withheld subject to Commission approval of such agreements.

B. GFA History

The GFA was originally filed with the Commission on February 28, 2000, in Docket No. ER00-1714, and was accepted on March 28, 2000.³ The GFA is currently listed on Attachment P of the MISO Tariff as GFA No. 292 as an “excluded” agreement because the network service provisions of the GFA were converted to MISO network integration

² Appendix E of the GFA includes a “Subtransmission Wheeling Service Agreement” which concerned GRE’s use of ALLETE’s subtransmission and distribution facilities. The WDSA will supersede the subtransmission and distribution provisions of the GFA.

³ See *Minnesota Power*, Letter Order, Docket No. ER00-1714 (issued Mar. 28, 2000).

transmission service under the MISO Tariff. The other rates, terms and conditions of the GFA are administered bilaterally between ALLETE and GRE.⁴ The GFA is currently designated as Service Agreement No. 28 under the MISO Tariff.⁵

II. COMMUNICATIONS

All communications and service related to this Notice should be directed to these individuals:⁶

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* Persons to be served under 18 C.F.R. § 385.2010.⁷

III. CONTENTS OF THE FILING

Under the Commission's filing requirements at 18 C.F.R. Part 35, this filing contains:

1. This transmittal letter as Notice for Cancellation of the Service Agreement; and
2. The Service List of parties being served with a copy of this filing.

⁴ *Midwest Independent System Operator, Inc.*, Order Granting Motions to Withdraw in Docket Nos. ER04-691-000 and EL04-104-000 (July 15, 2004). See also *Great River Energy*, Letter Order, Docket No. ER01-2583 (issued Aug. 22, 2001) (granting waiver of Section 1.1.4a of the MISO Tariff to allow the GFA to be considered a grandfathered agreement under the MISO Tariff even though it was not executed by September 16, 1998).

⁵ See, *Midwest Independent System Operator, Inc.*, Letter Order, Docket No. ER02-830-001 (Apr. 8, 2002) (approving MISO notice of succession and designating GFA as MISO Service Agreement No. 28).

⁶ ACE requests waiver of 18 C.F.R. §§ 385.203 and 385.2010 to the extent necessary to permit the designation of more than two (2) individuals to receive service in this proceeding.

⁷ ALLETE requests waiver of sections 385.203 and 385.2010 of the Commission's regulations to the extent necessary to permit the designation of more than two individuals to receive service in this proceeding. 18 C.F.R. §§ 385.203, 385.2010 (2012).

IV. PROPOSED EFFECTIVE DATE OF CANCELLATION

ALLETE submits this Notice under Section 35.15 of the Commission's regulations, 18 C.F.R. § 35.15. It is filed as a letter notification, consistent with the Commission's Order No. 714,⁸ without the Notice form previously required under Order No. 614.⁹ In Order No. 714, the Commission did not require GFAs to be refiled by public utilities as part of a baseline filing placing jurisdictional agreements in eTariff.¹⁰ GFAs not filed in eTariff, like the GFA discussed in this request, may be cancelled without submission of an eTariff filing.¹¹ ALLETE requests that the Notice be effective by August 1, 2013.

Good cause exists to grant the requested effective date. As explained above, an August 1, 2013 effective date is being requested to allow the Zonal Agreements to go into effect as negotiated by ALLETE and GRE to preserve the commercial value of their settlement. The Zonal Agreements were negotiated as part of a global settlement between ALLETE and GRE to avoid litigation concerning ALLETE's and GRE's obligations to each other with respect to certain facilities and loads, as well as certain transmission planning obligations under the MISO Tariff. An August 1, 2013 effective date was a key factor in the Parties' willingness to continue negotiations over the past two years.¹² The termination of the GFA effective August 1, 2013 allows such agreement to be superseded by the JPZ Agreement and WDSA, as discussed above, and allows the settlement underlying the Zonal Agreements to become effective on the date that preserves the commercial value of ALLETE's and GRE's bargain, thereby avoiding potential litigation. As stated above, there has been no billing or payments under the GFA since August 1, 2013.

ALLETE respectfully requests that the Commission waive any requirement that may be necessary to allow the proposed cancellation to be effective on the date proposed, without modification or condition.

V. SERVICE AND POSTING

In accordance with 18 C.F.R. § 35.15(a), a copy of this filing will be served electronically on GRE. A courtesy notice or copy will be provided to the Director of Electric Power Regulation (Central). In addition, a copy of this filing will be available at the office of ALLETE at 30 West Superior Street, Duluth, Minnesota 55802.

⁸ *Electronic Tariff Filings, Order No. 714*, 124 FERC ¶ 61,270 (2008) ("Order No. 714"), *clarifying order*, Order No. 714-A, 147 FERC ¶ 61,115 (2014) ("Order No. 714-A").

⁹ *See Designation of Electric Rate Schedule Sheets, Order No. 614*, 65 Fed. Reg. 18,221 (Apr. 7, 2000).

¹⁰ *Order No. 714* at P 92.

¹¹ *See Order No. 714-A* at P 3 n. 9.

¹² The parties request a retroactive effective date in order to preserve the commercial expectations underlying their negotiations. This request is consistent with similar requests granted by the Commission in the context of settlement proceedings. *See, e.g., Midcontinent Independent System Operator, Inc.*, 147 FERC ¶ 61,164 at P 4 (2014) (granting a retroactive effective, as requested by MISO, and to be consistent with Prairie Power, Inc. becoming a transmission-owning member of MISO).

VI. CONCLUSION

ALLETE and MISO respectfully request that the Commission accept this Notice effective August 1, 2013. If you have questions concerning this filing, please contact the undersigned.

Sincerely,

/s/ Joseph Hall
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Rabeha Kamaluddin
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Counsel for ALLETE, Inc.

CERTIFICATE OF SERVICE

I certify that I have, this 8th of March, 2016, served the foregoing Notice of Cancellation of ALLETE, Inc. upon each person designated on the official service list compiled by the Secretary of the Commission in this proceeding.

/s/Chad Richards
Chad Richards

Service List

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