

April 12, 2001

Federal Energy Regulatory Commission
Office of the Secretary
888 First Street, NE
Washington, D.C. 20426

RE: Docket No. EL01-47-000

Dear Mr. Boergers:

The Montana Power Company (MPC) is pleased to submit an original and fourteen (14) copies of this filing in compliance with FERC's ORDER REMOVING OBSTACLES TO INCREASED ELECTRIC GENERATION AND NATURAL GAS SUPPLY IN THE WESTERN UNITED STATES in Docket No. EL01-47-000 issued March 14, 2001.

All communications regarding this filing should be addressed to:

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Respectfully submitted,

The Montana Power Company

By: _____

Ted D. Williams
Its: Director,
Transmission Marketing

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

Removing Obstacles to)
Increased Electric Generation) **Docket No. EL01-47-000**
and Natural Gas Supply)

**THE MONTANA POWER COMPANY RESPONSE TO FERC ORDER REMOVING
OBSTACLES TO INCREASED ELECTRIC GENERATION AND NATURAL GAS
SUPPLY IN THE WESTERN UNITED STATES**

The Montana Power Company (MPC) is pleased to submit this filing in compliance with FERC's ORDER REMOVING OBSTACLES TO INCREASED ELECTRIC GENERATION AND NATURAL GAS SUPPLY IN THE WESTERN UNITED STATES in Docket No. EL01-47-000 issued March 14, 2001.

Introduction

MPC is a diversified electric and gas utility providing regulated electric, natural gas, and propane services to Montana consumers and Yellowstone National Park. The MPC electric service area encompasses approximately 97,540 square miles in Montana. MPC owns and operates approximately 7,000 miles of electric transmission lines and 15,000 miles of electric distribution lines. It also owns and operates approximately 3,500 miles of natural gas distribution lines, 2,000 miles of natural gas transmission lines, three natural gas storage reservoirs, and three propane distribution systems.

In addition to its public utility business in Montana, MPC has held a number of subsidiary companies involved in the energy and telecommunications businesses. Because of the success of one such subsidiary company, Touch America, Inc.¹, and because of its desire to focus resources on this success, as well as to enable the energy businesses to achieve their full potential, on March 28, 2000, MPC decided to

¹ Touch America is a comprehensive telecommunications company, providing long distance, point to point, internet, and wholesale telecommunications transportation services.

exit the energy business and divest its interests in its oil and gas, coal, independent power and utility business units. Throughout 2000, MPC engaged in auction processes for these businesses, which have resulted in the sale or agreements for the sale of these businesses. As described more fully in Docket No. EC01-47-000, NorthWestern Corporation ("NorthWestern") of Sioux Falls, South Dakota is purchasing MPC's utility business unit². That transaction is expected to close later this year.

MPC is participating with eight other regional transmission owners in the Pacific Northwest in the development of RTO West (Docket RT01-35-000) and with five other investor owned utilities in the development of TransConnect, LLC, a for-profit independent transmission company (Docket No. RT01-15-000). Since its divestiture of substantially all of its interests in generating resources to PPL Montana late in 1999, MPC's utility division is primarily focused on transmission and distribution of electricity and natural gas within the state of Montana. MPC aggressively markets the available transmission capacity (ATC) on its electric transmission system.

Near Term Enhancements

Existing transfer capabilities for specific congested paths within the WSCC are governed by an operating transfer capability (OTC) and are designed to maintain regional reliability under specific operating conditions. Within the WSCC, path OTCs are developed seasonally based on studies that measure the system's response to specific initiating events. Changing WSCC requirements over the past several years have resulted, in some cases, in these initiating events being unrealistically conservative. OTC's may be changed by physical changes to facilities or by changing the initiating event from which the OTC is derived. MPC recommends that the Commission encourage the WSCC to examine its OTC development practices for

² Montana Power's utility business unit also holds certain subsidiaries that will be included in the sale to NorthWestern: Montana Power Services Company, One Call Locators, Ltd., Colstrip Community Services Company, Canadian-Montana Pipe Line Corporation and Discovery Energy Solutions, Inc.

consistency between areas within WSCC and with a note of realism in their development. Clearly, the goal should be to increase OTC's while preserving regional reliability.

Since MPC pursues transmission services as a specific line of business, we have been frustrated recently by limited capacity on one particularly popular congested path – Montana with the Southeast (MT-SE). We have been working diligently over the past year to determine solutions to this particular problem. Increasing the OTC on this path will allow some surplus generating capacity available in MAPP and in the Rocky Mountain Power Pool region to be used to help alleviate the immediate supply deficiency in the Pacific Northwest. Two potential near-term solutions are particularly promising, but both have hurdles to overcome before they can be implemented.

A first near-term solution would be a reconsideration by the WSCC of the initiating event that defines the MT-SE path rating. Related to the discussion above about conservative assumptions, the studies that MPC has been required to perform to date by the WSCC to determine the MT-SE south to north path OTC are based on an initiating event whose occurrence is so unlikely as to not be credible. In fact the particular event that we have been required to study has never occurred in the 18 year history of the 500 kV facilities at the heart of this hypothetical event. Most recently MPC has proposed a study that employs an initiating event that has occurred only 5 times in the last 15 years. Even though those actual events did not result in operating criteria violations because of intervening conditions, MPC has proposed to conduct its current OTC studies very conservatively by assuming this particular initiating event will produce operating criteria violations. Employing this more realistic initiating event would increase the OTC on the MT-SE path by 80 MW in some instances because it properly models our remedial action scheme response. We are currently awaiting the determination by the appropriate WSCC committees as to the acceptability of the more realistic initiating event in the MT-SE south to north OTC studies.

A second near-term solution to increasing the south to north MT-SE OTC is tripping of certain lines between Montana and Wyoming collectively known as the Yellowtail North facilities. These particular facilities currently are tripped as needed to protect against an "out-of-step" condition developing in Wyoming. Studies to date indicate it would be a relatively simple task to incorporate into the trip logic the realistic initiating event discussed above. Tripping Yellowtail North for this event would increase the MT-SE OTC. Moreover, even if WSCC does not agree to use the more realistic initiating event discussed above, tripping of Yellowtail North still produces 150-200 MW incremental OTC on the MT-SE path in some instances. At this time, the Western Area Power Administration (WAPA), a federal power marketing agency that owns one of the lines included in the Yellowtail North facilities, has not given its permission for the needed logic change. It is continuing, however, to evaluate this option. MPC will continue to work with WAPA and others to understand what is needed to implement this potentially valuable change sooner rather than later.

The potential solutions to the MT-SE problem described above are the only near-term grid enhancements that would increase regional transfers on MPC's system. There is at least one upgrade that could be made in the near-term on an adjacent system that would allow the import of additional energy into the Pacific Northwest via MPC's system. That upgrade is an enhancement to WAPA's DC intertie between WSCC and MAPP at Miles City. Preliminary investigations indicate that deliveries from an upgrade to 350 MW from the existing 200 MW could be integrated into MPC's system without additional investment in the WSCC (beyond the cost to upgrade the Miles City DC intertie facilities), assuming we are successful increasing the capacity of the MT-SE path as discussed above. MPC stands ready to evaluate such an investment in the Miles City DC tie; however, Basin Electric Power Cooperative is already in WAPA's queue for studying such an increase, and would have first right to the increased capacity. In a meeting with WAPA and Basin just last week, we learned that while there would be no

need for further investment in the WSCC (beyond the cost to upgrade the Miles City DC intertie facilities), there may be a need for investment in MAPP associated with an upgrade to the intertie. Further studies must be done on the MAPP system to determine how an upgrade to the Miles City DC tie could best be accomplished. Unfortunately, there are numerous unrelated studies in the queue that must be completed before the study related to the Miles City DC tie can even begin. In the meantime, MPC will continue to study the WSCC side of the DC tie expansion so that an expansion can get underway quickly once WAPA completes its work (assuming its studies show that an expansion is economically feasible).

Enhancements Within 18 to 24 Months

Cursory investigation indicates that there are a host of other interconnection upgrades that MPC could possibly implement, with cooperation from other transmission owners, within the next eighteen months to two years (again assuming they prove to be economically feasible).

- Series capacitors in the 230 kV line owned by MPC, Idaho Power and PacifiCorp between the Mill Creek substation in Montana and the Brady substation in Idaho could increase the capacity of that line by 25-30%.
- Reconstruction of the 161 kV line owned by MPC and Idaho Power to 230 kV between the Mill Creek substation in Montana and the Goshen substation in Idaho could increase the capacity of that path as much as threefold from its existing rating of 87 MW.
- An upgrade by WAPA of its existing 161 kV system between Fort Peck and Havre, Montana to 230 kV and a corresponding upgrade of MPC's 69 kV substations would allow existing Bureau of Reclamation generation in Montana to move more power into the WSCC rather than MAPP.

Generation Interconnection

With regard to interconnection of generation, MPC stands ready to make investments as necessary to integrate new or upgraded generation into its transmission system. MPC has posted on its website (www.mtpower.com) several documents intended to assist developers looking to site generation on its system, including (1) a memo describing the places best able to accommodate new generation (electrically speaking), (2) an overview of the technical requirements for interconnecting generation, and (3) a draft generation interconnection agreement.

Conclusion

MPC is pleased to have been able to present this information in response to the Commission's effort to remove obstacles to increased electric generation in the western United States. If there are further questions related to this submittal, please contact Ted Williams (tedwill@mtpower.com).

Dated: April 12, 2001

THE MONTANA POWER COMPANY

By: _____

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