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Eleven MN & Four IA Public Power Utilities Pass Milestone as CAPX Transmission Owners

Blue Earth, MN, February 26, 2015 – Eleven public power utilities in Minnesota and four in Iowa passed a milestone recently receiving their first financial benefit as new transmission owners with a payment from the Central Minnesota Municipal Power Agency (CMMMPA). In an era of increasing transmission costs due to the regional build-out of the transmission grid to meet new government energy policies, these 15 municipal utilities partnered together through CMMMPA to invest in transmission.

Representing their investment in the CAPX Brookings Transmission Project, CMMMPA distributed \$385,000 to the 15 public power participants that included 13 first-time transmission owners. As owners, the utilities will continue to receive similar payments for the 40 year life of the CAPX Brookings line.

“After determining that transmission ownership was a logical and sensible step for us to take in protecting our electric consumers against rising costs, we pooled resources with CMMMPA members and affiliates in Minnesota and Iowa to make an investment in the CAPX Brookings line,” said Wendy Meyer, Mountain Lake City Administrator and newly-elected President of CMMMPA. “This important asset will allow us to hedge against rising transmission costs by earning a return on our investment to offset increasing transmission network usage charges.”

The 250-mile line from Brookings, South Dakota to Hampton, Minnesota, marked CMMMPA's first venture into transmission on behalf of 15 municipal electric utilities located in Minnesota and Iowa. Besides serving as an aggregator for utilities to pool their investment, CMMMPA financed the project and handled the lengthy rate recovery approval process at the Federal Energy Regulatory Commission (FERC).

CMMMPA's \$30 million investment represents a 3.9 percent share of the CAPX Brookings project and the municipal participants included the Minnesota municipal utilities of Blue Earth, Elk River, Fairfax, Granite Falls, Janesville, Kenyon, Mountain Lake, Sleepy Eye, Springfield, Windom, and Willmar and the four Iowa cities of Independence, Indianola, Montezuma and Waverly. The CMMMPA group made this CAPX investment alongside Great River Energy, Missouri River Energy Services, Ottertail Power Corporation and Xcel Energy.

“Historically transmission costs composed less than 10 percent of a municipal utility's wholesale power costs. However, transmission rates have tripled in recent years and are projected to double again by 2020. Transmission costs could soon represent as much as 25 to 40 percent of our wholesale costs in the near future,” said Steve Thompson, CEO of CMMMPA headquartered in Blue Earth, MN. “To mitigate the looming threat of increasing transmission costs, CMMMPA invested in CAPX Brookings as a strategic investment to hedge against future cost increases.”

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Thompson further added, "The ability for local municipal utilities to join together through a project-oriented agency like CMMPA and win approval to invest in transmission is a big victory for them in their effort to stabilize transmission rates for customers."

As a result of the ground-breaking work by CMMPA and subsequent FERC approval, municipal electric utilities nationwide can more comfortably participate and invest in the development of transmission projects knowing that their costs can be recovered.

CMMPA serves as a municipal, consumer-owned, non-profit agency that helps municipal utilities identify strategies that minimize wholesale power costs, manage future risks, and maintain stable competitive rates. In a consultative role, CMMPA offers strategic power supply planning and procurement services to help municipal utility boards address their full or partial utility requirement needs while allowing them flexibility and autonomy to customize their electric energy portfolio.

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Photo Tagline: Steve Thompson, CEO of Central Minnesota Municipal Power Agency presents Wendy Meyer, Mountain Lake City Administrator and newly-elected President of CMMPA, a ceremonial check for participating in the CMMPA CAPX Brookings transmission investment project that will help stabilize transmission rates for the city's electric consumers.