

**Southwest Power Pool
ECONOMIC STUDIES WORKING GROUP**

March 28, 2011

AEP Offices / Dallas, TX

10:00 am – 4:00 pm

• Summary of Action Items •

1. A team identified during the meeting will provide a recommendation for fuel prices to be used in the ITP10.
2. Staff will document any differences between the load utilized in the PROMOD runs and that used to determine the capacity needed for the ITP10.
3. Staff will consolidate the tweaks and comments regarding the resource plan and resubmit the finalized plan to the group for a final review. The adjustments will include the
 - adoption of submitted adjustments to unit capacities,
 - confirmation of unit capacities in comparison to those in the MDWG cases,
 - appropriate treatment of non-SPP municipalities within the OPPD control area,
 - use of the peak loads recommended by each stakeholder for capacity margin calculations, and
 - treatment of wind farms in Texas to account for wind going to SPP not ERCOT.
4. Staff will document the reasons for deviations between the capacities of units listed in the MDWG models and the ITP models.
5. Staff will utilize the \$8 commitment hurdle rate and \$5 dispatch hurdle rate in some preliminary benchmarking calculations to determine whether these rates are appropriate to the study and reflect known and expected import/export opportunities with SPP neighbors. The MAPP area will be added to the list of independent pools including MISO, Entergy, and AECI.
6. Staff will prepare informational presentations regarding the modeling, treatment and pricing of wind generation and the treatment of spinning reserves in the ITP.
7. Mike Proctor will work with Staff to provide a presentation outlining robustness metrics that can be quantified in dollars.

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• Minutes •

Agenda Item 1 – Administrative Items

Vice-Chair Kip Fox called the meeting to order with the following members attending in person or via teleconference:

Alan Myer, ITC	Greg Sweet, Empire
Kip Fox, AEP	Mark Loveless, OMPA
Bruce Walkup, AECC	Paul Dietz, Westar
Bennie Weeks, Xcel Energy	
Bruce Merrill, LES	James Sanderson, KCC
Doug Kallesen, NPPD	Mike Proctor, Consultant

It was noted that Leslie Spanier held a proxy vote for Al Tamimi.

The minutes for the February 23rd teleconference were approved. **Greg Sweet moved to approve the minutes and Kip Fox seconded the motion. The ESWG members voted in unanimous approval.**

The minutes for the March 1st meeting with the TWG were approved. **Kip Fox moved to approve the minutes and Doug Kallesen seconded the motion. The ESWG members voted in unanimous approval.**

The agenda was discussed and edited to allow for an earlier discussion of the resource plan. An additional discussion item of upcoming milestones was also added to agenda item 6. **Bennie Weeks moved to approve the modified agenda and Doug Kallesen seconded the motion. The ESWG members voted in unanimous approval.**

Alan Myers extended congratulations to Doug Kallesen and Bruce Merrill on their upcoming retirements and thanked them for their contributions to the group's work.

Agenda Item 2 – Conventional Resource Plan & Siting

The group reviewed Staff's resource plan and siting proposal and suggested another round of modifications following the stakeholder review submitted on March 21 to SPP. Changes or needs for changes were expressed by Bruce Walkup, Kip Fox, David Reid, and Mitch Williams.

- Bruce Walkup suggested that the Fulton Power Plant should not be utilized as a site for future generation. Kip Fox and Bruce discussed that they expected the need for the unit to drop out following other modifications to the capacities of AEP units. If indeed a unit is needed to meet capacity margin requirements in AECC and AEP a CT could be added at Arsenal Hill as a last resort.
- Mitch Williams indicated he had necessary changes to the unit capacities and would follow up with Staff following the meeting.
- Kip Fox expressed that the capacity of several of the units needed to be updated following continued discussions with Staff. A comparison of the capacities submitted through the survey

process and those already submitted through the MDWG model build process had yielded some significant differences that Staff is pursuing with member help.

- David Reid identified the unique position of municipals within the OPPD control area and requested that Staff remove the load and capacity of those entities from the calculations for OPPD in the resource. He also requested that the ESWG member revisit the peak load value used to plan for resources be consistent with their approach to capacity planning.

The group formed consensus on all of these issues and directed SPP to resolve these last steps and resubmit the resource and siting plan for approval at the next ESWG teleconference.

Unit retirements in the second future were discussed. The group asked that SPP provide a map of the retired generation and the proposed generation additions in each future. Mike Proctor noted that this is important to ensure that an unintentional westward power shift is not created.

The group noted that the units AES Shady Point 1 and 2 in OGE utilize relatively new technology. Staff will ensure that OGE has seen the resource plan as Leon Howell was unable to attend this meeting.

Alan Myers asked where the ownership of these new units would be placed. Charles Cates stated that for now the units will be modeled with ownership by the zone that owns bus where they are located.

Agenda Item 3 – Generation Packet Update & Status

Charles Cates led a discussion concerning the comparison of MDWG generation capacities and those received by Staff through the ESWG member and stakeholder survey on TrueShare. He noted that there were many minor variations but some significant differences that need to be resolved that fall into the following three categories:

1. Mapping Issues (i.e. one plant in the load flow and multiple units in the PROMOD models),
2. Auxiliary or Station Service loads being netted out in one case or the other, and
3. Discrepancies in value that need to be reviewed by Stakeholders

Staff will share these with company representatives and working groups in order to determine the proper generation capacity values for this study. Capacity values for seams neighbors will be taken from the MMWG models.

Alan Myers asked if the TWG had any feedback concerning the resource plan and siting? Charles Cates had presented the material for comment to the TWG on Mar 25 and did not receive a lot of feedback.

Charles Cates emphasized that SPP aims to make study materials from the ITP10 available to outside parties in a non-proprietary format to allow the duplication of our study results.

Agenda Item 4 – Key Drivers & Assumptions for the ITP10 Model

Tim Miller led the group through a discussion of the key inputs into the study including:

- Economic & Operations Parameters,
- Annual Demand & Peak load,
- System Topology,
- Fuel Costs,
- Interchange & Hurdle Rates,
- Spinning Reserve Requirements, and
- Carbon Tax for Future 2

Fuel Costs

The group had gained consensus on most of these issues. Fuel Costs were not finalized and a small team of ESWG members and interested parties will develop an ITP10 specific fuel plan.

Hurdle Rates & Interchange

Staff was directed to utilize a \$5 dispatch / \$8 commit hurdle rate and provide some benchmarking results to inform the group's decisions regarding a final value for the study. Doug Kallesen noted that these values seem consistent with those being used in the EIPC. Charles Cates recommended that benchmarking utilize a 5-year historical look at area interchanges. The system of MAPP will be made into its own pool in addition to those listed in the presentation materials.

Operating & Spinning Reserve

Staff was directed to bring informational material back to the group regarding the behavior and impact of reserve and spinning requirements. Special consideration was requested of the behavior of Combined Cycle units.

Carbon Tax

The group gained consensus on utilizing a \$35 carbon tax in 2022 for the EPA Rules with Additional Wind Future (Future 2). This was decided with the rationale that something less than what was used in the ITP20 seems appropriate given the current political climate and the purpose of this future.

Agenda Item 5 – CAWG Wind Survey Results & Review

Charles Cates provided an overview of the CAWG renewable survey results and asked for endorsement by the group. Two issues came up during this discussion that require a few modifications by staff.

- Kip Fox noted that the wind in Arkansas should instead be sourced from Oklahoma. This is an update to the CAWG survey submittal that had been made previously.
- Bennie Weeks pointed out that the wind siting locations near the CREZ plans (in ERCOT) might supply energy into ERCOT rather than SPP and recommended placing the wind capacity more distinctly in SPP territory. In conjunction with this change the group decided that Texas should not be considered as a “high wind state” in the deployment of the additional wind in Future 2.

Discussion began concerning the treatment of wind revenues in this and past studies. Charles Cates committed staff to an informational and educational explanation of the process and inner workings of the study.

Bennie Weeks asked if the study will account for the Tres Amigas plans.

Agenda Item 6 – Upcoming ITP10 Decisions

The group discussed the next steps for the ITP10 including a decision to develop a 90% draft of the ITP Manual using the ITP10 Scope as a starting point by the July MOPC. The further development and use of the robustness metrics was discussed. The consensus of the group was to adopt a “less is more” approach in the ITP10 that will use a subset of the metrics from the ITP20 and attempt to give them further definition and agreement on the quantification of them in dollars. Mike Proctor agreed to provide a starting point for this discussion.

Paul Dietz recommended that development of Stochastics continue to be pursued as a long-term goal within the ITP in order to tie the plans back to the behavior of the “real world”. Jody Holland stated that Staff has budgeted for the development of Stochastics and will have software purchased no earlier than the end of the year.

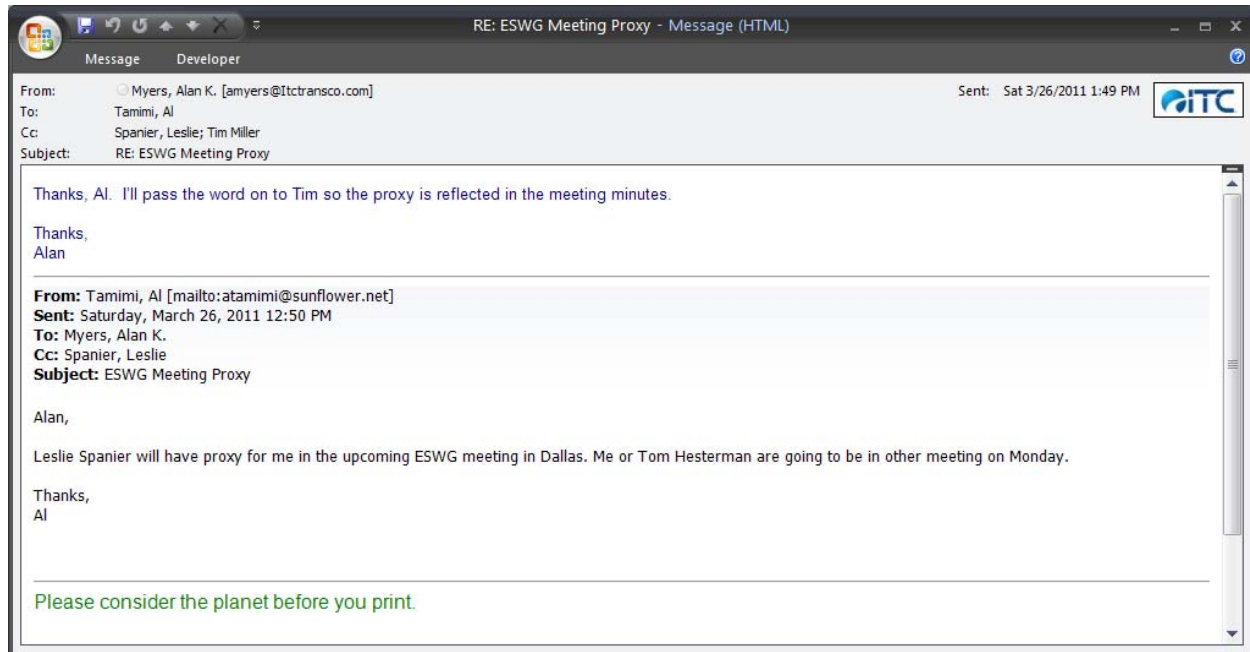
Alan Myers recommended that a straw man proposal for the sensitivities be fleshed out for the group to discuss.

Adjournment

The group discussed upcoming ESWG meetings and a ended the meeting at 4:16 pm.

Respectfully Submitted, Tim Miller, Staff Secretary

Proxy Notifications



Other Teleconference Attendees

Dan Lenihan, OPPD
David Reid, OPPD
Doug Collins, OPPD
John Mayhan, OPPD
Josh Ross, SPP Staff
Kanny Hale, CUS
Kristen Rodriguez, Wind Coalition
Kurt Stradely, LES
Nate McNeil, MIDW
Siad McDermod, FERC
Tony Gott, AECI

Other Attendees in Person

Charles Cates, SPP
Jody Holland, SPP
Leslie Spanier, SEPC
Loyd Kolb, GSEC
Roy Boyer, Xcel Energy
Tim Miller, SPP
Tim Owens, NPPD
Walt Cecil, MoPSC Staff