



**Southwest Power Pool, Inc.**

**STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000 MEETING**

**Friday, December 16, 2011**

**9 AM – 2 PM**

**AEP Office, Dallas, Texas**

**• A G E N D A •**

1. Call to Order ..... Mel Perkins
2. Review of Past Action Items ..... Paul Suskie/Michael Desselle/Matt Binette
3. Compliance Options
  - OGE Proposal..... Jake Langthorn
  - Westar Proposal ..... Dennis Reed
4. Next Steps..... Mel Perkins

**Subject:** OG&E Proposal for the SPP Order 1000 process

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Michael,

The OG&E proposal has two parts.

Part 1, 4 step process:

- 1) SPP planning process identifies “needs” which could be reliability, generation interconnect, transmission service, etc – this is the existing planning process, including such projects as Priority Projects or the Balanced Portfolio.
- 2) SPP issues Requests for Proposals - currently, the SPP asks the affected TO’s to suggest solutions, then SPP selects the solution to be built. It is the step that begins to implement the Order 1000 requirements.
- 3) Sponsors (to use the FERC language) submit proposals, including costs (proposal to be equivalent to the Study Estimate in the new project cost process) – the current process is that TO’s submit Study Estimate, so this change would be relatively minor with respect to the existing planning process.
- 4) SPP evaluates B/C for proposals then selects the successful proposal – currently, we have the ROFR rules in the Tariff and Member Agreement. This step would require that the SPP establish a specific benefit calculation, one that would be applied consistently across all sponsors and all projects. That is not to say that projects of different voltages, fulfilling different needs, are all evaluated the same way, only that the process for evaluation is open and consistent.

This approach would look like a competitive bid when applied to simple projects, and like the FERC sponsorship process when applied to complex issues. It has the possibility of actually reducing costs to SPP members while still allowing the planning process to put the “best” plans in place. A process like this would cause all time lines for studies to be revisited, and perhaps require changes in the way GI and Ag Study projects are committed to by the Sponsor, the SPP and the requestor.

Part 2, OG&E proposes a change in the SPP Cost Allocation. Currently, 100 to 300 kV gets 1/3 regional allocation while 300 kV and up is 100% regional. In order to preserve operational reliability, the SPP should consider removing regional cost allocation from those projects below 200 kV. With no regional allocation for the lower voltages, the ROFR would still apply. This would allow the bulk of the existing transmission system, which provides mostly local benefits, to remain under the direct operational control of the incumbent TO.

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**Order 1000 ROFR proposal for SPP:**

Within the SPP there are several types of upgrades that need to be addressed. Some of which may not be affected by the Order 1000 requirements. Below is a summary of one way of addressing the impacts.

**Planning and Cost allocation:**

Under the Tariff, planning and cost allocations are separate issues. Anyone can propose a project through the normal ITP and other planning processes under the Tariff. If the project is ultimately selected for construction, the cost of the project is recovered based upon the trigger event which requires the project to be built (Attachment J, O, V and Z1).

**Upgrades required by Contract:**

- Upgrades related to transmission service.
  - Local upgrades that need to be done by local TO in accordance with the Network Operating Agreement.
  - Upgrades where the costs are direct assigned to the customer (ie no regional funding) could be assigned utilizing the current process.
  - Upgrades that are base plan funded could be done using the NTC selection process described below.
- Upgrades for Generation Interconnection service
  - Upgrades within the Zone where the Generation Interconnection Customer is located would need to be done by the incumbent TO in accordance with Attachment V since these costs are direct assigned to the Interconnection Customer.
  - Upgrades outside the Interconnection Zone, would be done using the NTC selection process described below.

Generally upgrades related to specific contracts are direct assigned to the customer unless the upgrade costs meet the tariff requirements to be Base Plan funded for Transmission Service related to new designated Network Resources. All, or at least part, of these upgrades would not fall under the Order 1000 rules since they are not regionally funded.

**Sponsored Upgrades:**

Anyone may propose a Transmission project fund it themselves. A sponsored project would not be eligible for regional funding. The owner would be eligible for credits under the Tariff in accordance with Attachment Z2.

- Generally no change to the Tariff although it would be made clear that the Sponsor could build the project or request SPP to find a Transmission Owner to build it for them.

Question: Does the fact that a fraction of the credits being paid to a Sponsor may come from regional rates invoke the no ROFR rules?

**Base Plan funded Upgrades:**

Base Plan funded (BPF) upgrades are authorized by SPP to be constructed primarily through the ITP process, but may include some projects related to Generation Interconnection and requests for transmission service. SPP would select a default Transmission Owner to construct the project using the current selection process. The current Tariff process defaults to the owner of the transmission facility being upgraded or to the Transmission Owner(s) on which a new line is being connected to regardless of retail service territory. The default Transmission Owner has 90 days to accept the NTC. This process would be used exclusively for the following situations:

- For Upgrades (either a partial or total rebuild of current facilities utilizing existing right-of-way) would go to the current Transmission Owner.
- Additions to substations, new transformers, etc. would go to the current Transmission owner.

**New facilities which are not upgrades and will be included in the SPP Tariff rates:**

SPP would default to the current process of designating the default Transmission Owner(s) of the facilities to which the new line would interconnect. This would allow SPP to work with the default Transmission Owner(s) related to cost estimates, etc. for planning purposes.

- 100 kV and Below – Default to the local Transmission Owner using current process.
- 100 kV to 300 kV facilities – Default to the local Transmission Owner using current process.
  - This would require some justification at FERC since 33% of the costs are regionally allocated.
- 300 kV and higher.
  - SPP would default to the Transmission Owner(s) under the current Tariff process
    - Keep consistency in the planning and cost estimation processes
  - During the 90 day window the Transmission Owner has to accept the project, other interested parties could also apply to build the project.
    - If one or more parties other than the default Transmission Owner do apply to construct the project, then the SPP would automatically go to the Transmission Owner selection process currently in Business Practice 1.16.
    - The default Transmission Owner could either remain in the process or drop out
    - Selection of the constructing Transmission Owner would not require that the participant currently be a Transmission Owner under the Tariff, but would have to be able to join the SPP as a Transmission Owning member under the Tariff, be able to meet any State requirements to construct the project in the State(s) where the project is to be built, as well as all other requirements as outlined in the Tariff and the Transmission Owner Selection process.
    - Selection of the constructing Transmission Owner for a project funded under the Tariff would be independent of the entity that may have proposed the project.

- A potential Transmission Owner may propose to build only part of a line/project if the project spans State jurisdictional boundaries or may work jointly with another Transmission Owner (s) in a joint project.

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**Subject:** FW: AEP High Level Proposal for Elimination of ROFR in SPP for Discussion in the SPP SPC FERC Order 1000 Task Force Dec 16 meeting

Michael –

AEP provides the following High Level Proposal for discussion in the above meeting. In the spirit of using the existing SPP planning processes as much as possible, we believe there are a few details that need to be worked out for whatever proposal is chosen but can be worked within the existing processes. We plan to have more details for the next meeting. Thanks for the extra time to provide. Terri

**AEP High Level Proposal for Elimination of ROFR in SPP for Discussion in the SPP SPC FERC Order 1000 Task Force Dec 16 meeting**

1. SPP would perform a study analysis to determine system violations and congestion and other transmission needs on the SPP transmission system.
2. SPP would request proposals for submissions to alleviate the above SPP-identified needs for projects 300 kV and above. For projects less than 300 kV, SPP would solicit proposals only from the incumbent Transmission Owner.
3. Project Sponsors would propose projects to alleviate a Specific Need identified by SPP in the above studies. Project Sponsors could include a Cost Cap/ATRR Cap in their proposals.
4. A party would not be limited from proposing a project to fix an SPP-identified need if they did not plan to build the project.
5. SPP would review the projects proposed to analyze the most cost effective projects that would alleviate the SPP-identified needs.
6. SPP would determine the most cost effective project and award to the Project Sponsor.
7. In the event, two or more Project Sponsors submit similar projects and SPP determines those projects meet the SPP-identified need, SPP would work with those parties to determine if the Project Sponsors could determine how to split up the project and build portions. If the Project Sponsors could not come to an agreement, then SPP would ask for competitive bids from those Project Sponsors to build the entire project. Any Project Sponsor could offer that they would agree to a stated Cost Cap/ATRR Cap in that competitive process.
8. Project Sponsors would need to meet meaningful SPP qualification criteria to finance, design, construct, own and operate the proposed transmission facilities. SPP will need to develop Project Sponsor qualification criteria, such as the following:
  - the current and expected capabilities of the Project Sponsor and its team to finance, license, and construct the facility and operate and maintain it for the life of the Project;
  - the Project Sponsor's existing rights-of-way and substations that would contribute to the proposed Project;
  - the Project Sponsor has state approvals and meets all state regulatory requirements to build transmission facilities in the state the Project is proposed, as applicable;

- the experience of the Project Sponsor and its team in acquiring rights-of-way, and the authority to acquire rights-of-way by eminent domain, if necessary, that would facilitate approval and construction of the Project;
- the proposed schedule for development and completion of the Project and demonstrated ability to meet that schedule of the Project Sponsor and its team;
- the financial resources and credit requirements of the Project Sponsor and its team;
- the technical and engineering qualifications and experience of the Project Sponsor and its team;
- if applicable, the previous record regarding construction and maintenance of transmission facilities, including facilities outside the SPP controlled grid of the Project Sponsor and its team;
- the Project Sponsor has demonstrated capability to adhere to standardized construction, maintenance and operating practices;
- the Project Sponsor has demonstrated the ability to assume liability for major losses resulting from failure of the Proposed facilities;
- the Project Sponsor has demonstrated cost containment capability and other advantages the Project Sponsor and its team may have to build the specific project, including any binding agreement by the Project Sponsor and its team to accept a cost cap that would preclude project costs above the cap from being recovered through the SPP transmission charge;
- the Project Sponsor has the experience and capabilities to operate, maintain and comply with regulatory requirements for the safe long-term operation of the projects facilities. This includes capabilities for emergency restoration and adherence to SPP and NERC requirements for emergency operations; and
- the Project Sponsor shall have the capability to become a member of SPP and comply with all the by-laws and responsibilities of membership. The Project Sponsor will be required to become a member of SPP before a project proposal may be submitted.

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