

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

Southwest Power Pool, Inc.

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Docket No. ER12-2387-000

**ANSWER OF  
SOUTHWEST POWER POOL, INC.**

Pursuant to Rule 213 of the Federal Energy Regulatory Commission’s (“Commission”) Rules of Practice and Procedure, 18 C.F.R. § 385.13, Southwest Power Pool, Inc. (“SPP”) requests permission to answer, and files this answer to address certain issues raised in the comments and protests of Western Farmers Electric Cooperative (“WFEC”), Xcel Energy Services Inc. (“XES”), Midwest Energy, Inc. (“Midwest”) and the joint comments of Sunflower Electric Power Corporation, Mid-Kansas Electric Company, LLC and Golden Spread Electric Cooperative, Inc. (together the “Western SPP G&Ts”) submitted in this proceeding.<sup>1</sup>

Rule 213(a)(2) provides that a party may answer a protest in circumstances where the decisional authority permits the answer for good cause shown. The Commission has permitted answers to protests that clarify the record, contribute to an understanding of the issues or assists the Commission’s decision-making process.<sup>2</sup> SPP seeks leave to submit this answer to provide

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<sup>1</sup> Southwest Power Pool, Inc., *Submission of Tariff Revisions to implement the Initial Reallocation of Revenue Requirements Pursuant to Attachments J and O*, Docket No. ER12-2387-000 (“August 2 Filing”) (August 2, 2012).

<sup>2</sup> *See, e.g., Sw. Power Pool, Inc.*, 135 FERC ¶ 61,223, at P 27 (2011) (accepting answers that aided the Commission’s decision-making); *Sw. Power Pool, Inc.*, 132 FERC ¶ 61,042, at P 28 (2010) (same), *reh’g denied*, 136 FERC ¶ 61,050 (2011); *S. Natural Gas Co.*, 121 FERC ¶ 61,118, at P 5 (2007) (answer to protest accepted because it assisted the Commission in understanding the issues and ensured a complete record); *N.Y. Indep. Sys. Operator, Inc.*, 121 FERC ¶ 61,112, at P 4 (2007) (answer to protest accepted because it provided information that assisted the Commission in its decision making process).

additional clarity to the issues and representations drawn by the protesters.<sup>3</sup> Therefore, good cause exists to grant permission to answer and accept this answer in this proceeding.

## I. BACKGROUND

On April 16, 2012, SPP filed revisions to SPP's Open Access Transmission Tariff ("Tariff")<sup>4</sup> to update revenue requirements and associated rates in order to implement the initial reallocation of revenue requirements as required by Attachments J and O to the Tariff.<sup>5</sup> In SPP's April 16, 2012 Filing ("April 16 Filing"), SPP provided extensive background and justification for the changes in revenue requirements in accordance with Attachments J and O of the Tariff. Attachments J and O require SPP to file the initial reallocation of revenue requirements under the Balanced Portfolio when "at least 10% of the estimated levelized annual transmission revenue requirements for the approved Balanced Portfolio has been included in the rates under the Tariff (the "Trigger Date")."<sup>6</sup> Based upon this requirement, SPP determined that the Trigger Date was met on the formula rate template revenue requirements update effective January 1, 2012.<sup>7</sup> After making SPP's Initial Filing, it was discovered that a calculation error had occurred that inadvertently assigned reliability benefits calculations to the incorrect zones; therefore, and out of an abundance of caution, SPP withdrew the April 16 Filing and notified the Commission of

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<sup>3</sup> SPP's silence in this answer on an issue or argument addressed in any comment or protest should not be construed as SPP's agreement with that issue or argument.

<sup>4</sup> Southwest Power Pool, Inc., FERC Electric Tariff, Sixth Revised Volume No. 1.

<sup>5</sup> Southwest Power Pool, Inc., *Submission of Tariff Revisions to Implement the Initial Reallocation of Revenue Requirements Pursuant to Attachments J and O*, Docket No. ER12-1552-000 ("April 16 Filing") (April 16, 2012).

<sup>6</sup> Tariff, Attachment J § IV (a)(1).

<sup>7</sup> See April 16 Filing at 5. See also August 2 Filing at 6.

SPP's intention to re-file the initial reallocation of revenue requirements once the data had been thoroughly and properly vetted and verified via SPP's stakeholder process.<sup>8</sup>

On August 2, 2012, SPP re-filed the initial reallocation of revenue requirements under the Balanced Portfolio as required by the provisions of Attachments J and O of the Tariff.<sup>9</sup> As with the April 16 Filing, SPP provided extensive background information which explained the stakeholder process for approval of the reallocation,<sup>10</sup> SPP's methodology for determining the reallocated revenue requirements,<sup>11</sup> and justification for Commission approval effective October 1, 2012.<sup>12</sup> It is important to note that the estimated costs for the Balanced Portfolio Upgrades for the calculations in the August 2 Filing were determined using the estimated costs provided to SPP by SPP's transmission owners, as of May 25, 2012. SPP also notified the Commission in the August 2 Filing that, pursuant to Attachment J, Section IV.B of the Tariff, SPP has begun the process of reviewing the Balanced Portfolio projects according to the process unintended consequences review as outlined in the Tariff.<sup>13</sup>

Subsequent to the August 2 Filing, SPP determined that the Commission's order regarding the establishment of a formula rate template and protocols for SPP transmission owner, The

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<sup>8</sup> Southwest Power Pool, Inc., *Motion to Withdraw of Southwest Power Pool, Inc.*, Docket No. ER12-1552-000 (May 7, 2012).

<sup>9</sup> Southwest Power Pool, Inc., *Submission of Tariff Revisions to Implement the Initial Reallocation of Revenue Requirements Pursuant to Attachments J and O* ("August 2 Filing") (August 2, 2012).

<sup>10</sup> See August 2 Filing at 3-5.

<sup>11</sup> Id. at 6-9.

<sup>12</sup> Id. at 11.

<sup>13</sup> Id. at 5.

Empire District Electric Company (“Empire”), in Docket No. ER12-1813-000 impacts SPP’s August 2 Filing and SPP’s corresponding Tariff revision filing for Empire’s formula rate in Docket No. ER12-2289-000.<sup>14</sup> Therefore, SPP has requested the Commission to defer action on the August 2 Filing until the Commission issues an order on SPP’s Tariff revision filing in the Empire Formula Rate Filing.<sup>15</sup> The Commission has not acted on the SPP’s Request for Deferral at the time of this filing.

## II. ANSWER

### A. SPP’S AUGUST 2 FILING IS REQUIRED BY SPP’S TARIFF.

The section of SPP’s Tariff that requires SPP to reallocate revenue requires is contained in Section IV.A.1 of Attachment J. The pertinent part of said section states as follows:

#### 1. Implementation of Reallocated Revenue Requirements

The initial reallocation of the Reallocated Revenue Requirements from the deficient Zone(s) to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement shall occur when at least 10% of the estimated levelized annual transmission revenue requirements for the approved Balanced Portfolio has been included in rates under the Tariff (the “Trigger Date”). [*Emphasis Added.*]

Based upon the above quoted language from of SPP’s Tariff, SPP disagrees with XCEL’s proposition that SPP should have waited to make the August 2 Filing until after a review has occurred. To the contrary, as quoted above SPP is required under its Tariff to make the filing when Trigger Date occurs which is defined by the Tariff as “when at least 10% of the estimated

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<sup>14</sup> Southwest Power Pool, Inc., Docket No. ER12-2289-000 (“Empire Formula Rate Filing”) (July 23, 2012).

<sup>15</sup> Southwest Power Pool, Inc. *Request for Deferral of Commission Action*, Docket No. ER12-2387-001 (“Request for Deferral”) (August 14, 2012).

levelized annual transmission revenue requirements for the approved Balanced Portfolio has been included in rates. . .<sup>16</sup>

In its comments, XCEL states that “[i]deally the Review would have been prior to the SPP Filing” given the increases in cost estimates have been known for some time.<sup>17</sup> XCEL later opines that “[h]ad the review been conducted in advance of the SPP Filing, then any reconfiguration remedy could have been incorporated into the initial reallocation...”<sup>18</sup> Although XCEL’s arguments may have some supporting rationale behind their positions, this reasoning is not consistent with SPP’s requirements under Attachment J of the Tariff.

Under Attachment J § IV.A, an approved Balanced Portfolio may achieve balance by transferring (reallocating) a portion of base plan zonal annual revenue requirements and/or the zonal annual revenue requirements from deficient zones to the Balanced Portfolio’s annual transmission revenue requirement.<sup>19</sup> The Trigger Date for the implementation, or initial, reallocation of revenue requirements occurs when at least 10% of the annual levelized revenue requirements for the approved Balanced Portfolio have been included in the rates of the Tariff.<sup>20</sup> The realization of this requirement is known as the “Trigger Date.” The reallocation of revenue requirements is also subject to a final reallocation and true up pursuant to § IV.A.2.<sup>21</sup>

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<sup>16</sup> Tariff, Attachment J § IV (A)(1).

<sup>17</sup> Xcel Energy Services Inc. *Motion to Intervene and Comments*, Docket No. ER12-2387-000 (“XES Filing”) (August 23, 2012) at 2.

<sup>18</sup> Id.

<sup>19</sup> Tariff, Attachment J § IV (A).

<sup>20</sup> Tariff, Attachment J § IV (A)(1).

<sup>21</sup> Tariff, Attachment J § IV (A)(2).

As explained in the August 2 Filing, SPP, in its role as administrator of the Tariff, determined that the Trigger Date was January 1, 2012. As the Tariff provides for the implementation of the initial reallocation of revenue requirements at the Trigger Date, the August 2 Filing is consistent with the requirements of the Tariff. Matter of fact, SPP made the required Trigger Date filing before the August 2 (as evident in the April 16 Filing); but resubmitted the filing in order to correct calculation errors.

**B. AN UNINTENDED CONSEQUENCES REVIEW OF BALANCED PORTFOLIO OF PROJECTS DOES NOT STOP SPP'S REQUIREMENT TO MAKE THE TRIGGER DATE FILING AS IS REQUIRED BY SPP'S TARIFF.**

The Attachment J § IV.B of SPP's Tariff provides a supplemental and separate process from "the Reallocated Revenue Requirements from the deficient Zone(s)" whereby an approved Balanced Portfolio may be reviewed by SPP for unintended consequences and subject to potential reconfiguration when the benefits of an approved Balanced Portfolio are impacted by specific conditions identified in the Tariff. In particular Section IV.B states:

**B. Reconfiguration of an Approved Balanced Portfolio**

**1. Conditions Under Which an Approved Balanced Portfolio may be Reconfigured**

Under certain conditions, the Transmission Provider shall review an approved Balanced Portfolio for unintended consequences and may recommend reconfiguring a previously approved Balanced Portfolio. Conditions that would initiate such review include but are not limited to:

- i. Cancellation of an upgrade that is part of an approved Balanced Portfolio;
- ii. Unanticipated decreases in benefits or increases in the costs of upgrades that are part of an approved Balanced Portfolio or increases in the costs of third party impacts under Section IV.3.c of Attachment O; and

iii. Significant unanticipated changes in the transmission system.

## **2. Factors to be Considered in Determining Whether a Balanced Portfolio Should be Reconfigured**

Reconfiguration of a Balanced Portfolio shall be evaluated based upon the following general factors, including but not limited to, the impact of the reconfiguration on:

- i. Meeting the conditions for a Balanced Portfolio specified in Section IV.3.e of Attachment O to this Tariff;
- ii. The number of deficient Zones as defined in Section IV.4.a of Attachment O to this Tariff;
- iii. The amount of Reallocated Revenue Requirements that needs to be transferred from the deficient Zone(s) to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement in order to balance the reconfigured portfolio; and
- iv. The increase in the overall cost of the reconfigured Balanced Portfolio, if upgrades are added to the portfolio.

## **3. Reallocation of Reallocated Revenue Requirements**

If a reconfigured portfolio is to be balanced by transferring a portion of the Reallocated Revenue Requirements from the deficient Zone(s) to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement, the reallocation of the revenue requirements specified in Section IV.A of this Attachment shall be adjusted based on the costs and benefits of the proposed reconfigured Balanced Portfolio as approved.

## **4. Recommendation and Approval of a Reconfigured Balanced Portfolio**

Based on the analysis performed in accordance with Sections IV.B.1 through IV.B.3 of this Attachment, the Transmission Provider shall provide a report and make a recommendation in regard to reconfiguration of the Balanced Portfolio to the Markets and Operations Policy Committee. The Markets and Operations Policy Committee shall consider the Transmission Provider's report and recommendation, and shall provide its own recommendation (along with the Transmission Provider's report and recommendation) to the SPP Board of Directors. Based upon

these recommendations, the SPP Board of Directors shall take action regarding reconfiguration of the Balanced Portfolio.<sup>22</sup>

As stated in the August 2 Filing and as quoted above, upon completion of the analysis, SPP is required under the Tariff to provide a report and make a recommendation in regard to any reconfiguration of the Balanced Portfolio to SPP's Markets and Operations Policy Committee pursuant to Attachment J, Sections IV.B.4. Next, pursuant to Section IV.B.4 of Attachment J, the Markets and Operations Policy Committee will consider the SPP's report and recommendation, and will provide its own recommendation (along with the SPP's report and recommendation) to the SPP Board of Directors for action. The decision whether to reconfigure an approved Balanced Portfolio resides with SPP's Board of Directors.

SPP is currently in the beginning stages to review the Balanced Portfolio. The results of any review performed by SPP will be subject to the stakeholder process, including a review by the Markets and Operations Policy Committee and the Board of Directors. Although SPP is working through the process to determine whether or not a reconfiguration of the Balanced Portfolio is to be considered, such a reconfiguration is only speculative at this time; and therefore, should not be a basis to delay the implantation of the initial reallocation of revenue requirements provided in the existing Tariff.

Attachment J § IV.B.3 expressly contemplates that a reconfiguration will require adjustments to any *previous reallocation* when it states that "the reallocation of the revenue requirements specified in Section IV.A of this Attachment shall be adjusted based on the costs and benefits of the proposed reconfigured Balanced Portfolio as approved. As previously explained in both this pleading and the August 2 Filing, the Trigger Date is determined by SPP

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<sup>22</sup> Tariff, Attachment J, § IV (B).



pursuant to Attachment J § IV.A.1 when at least 10% of the estimated levelized annual transmission revenue requirements for the approved Balanced Portfolio has been included in rates. When reading both Section IV.A.1 and Section IV.B to Attachment J to SPP Tariff, it is clear that SPP's determination of the Trigger Date and subsequent initial reallocation of revenue requirements for an approved Balanced Portfolio is mandated by the Tariff and involves a separate process from the determination whether an approved Balanced Portfolio is to be reconfigured. The fact that a reconfigured Balanced Portfolio will require adjustments to a "previous reallocation" supports SPP's position that the August 2 Filing is compliant with the requirements of the Tariff and not dependent on the outcomes of the review. It is also clear from the Tariff, that under certain conditions an approved Balanced Portfolio *may* be reviewed for unintended consequences. However, the Tariff does not provide that SPP's obligation to determine the Trigger Date or calculate (and file) the initial reallocation of revenue requirements is obstructed or dependent on the timing of an unintended consequences review. While XCEL's view that a resettlement of transfer payments will be required if the Balanced Portfolio is reconfigured<sup>23</sup> may be realized after the unintended consequences review, the Tariff does not provide the option for SPP to ignore a current requirement contained in Section IV.A to Attachment J.

Therefore, notwithstanding XCEL's concerns about the August 2 Filing, it is clear that SPP was required to calculate the initial reallocated revenue requirements under Attachment J § IV.A upon the Trigger Date. SPP's actions in determining the Trigger Date and subsequent submission of the August 2 Filing are fully consistent with the requirements of the Tariff.

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<sup>23</sup> See XES Filing at 2.

### **C. COST INCREASES.**

The protests and comments have raised concerns with the increase of the *estimated* costs of the upgrades under the Balanced Portfolio, and the impacts of the increase on the estimated benefits. While it is true that the *estimated* costs have been revised upwards since the 2009 Balanced Portfolio report, it is important to note that the estimated increases are still estimates that are changing. The estimated costs used in the August 2 Filing were the estimated cost as of May 25, 2012. The May 25, 2012 estimates showed a 30% increase in cost since the original 2009 estimates. SPP staff calculated the balance transfers based on these updated estimated costs per the consensus of the stakeholders. It should be noted that more recent cost estimates show that the estimate is now only a 22% increase.<sup>24</sup> SPP would also emphasize to the Commission and commenters that the costs used in the determination of the balance transfers are estimates only; and are ultimately subject to the true-up which will ensure the final reallocation represents an achieved Balanced Portfolio consistent with the intents of the stakeholders and the provisions of the Tariff. Commission approval of the August 2 Filing will not impact or diminish any substantive right of SPP stakeholders to participate in the Balanced Portfolio process, including but not limited to the unintended consequences review, any cost estimate analysis, and procedural action on subsequent balance transfers.

### **D. THE TRIGGER DATE AND REQUESTED EFFECTIVE DATE ARE MUTUALLY EXCLUSIVE.**

XCEL is incorrect in its assumption that the Trigger Date is synonymous with the effective date of the initial reallocation of revenue requirements. The Trigger Date as provided in the Tariff and the requested effective date of October 1, 2012 in the August 2 Filing are mutually exclusive concepts. SPP views the Tariff to require that the Trigger Date as defined in

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<sup>24</sup> As of August 24, 2012 cost estimates.

the Tariff was determined by SPP to be January 1, 2012, which is the date 10% of the annual levelized revenue requirements for the approved Balanced Portfolio have been included in the rates of the Tariff. To put another way, January 1, 2012 is the Trigger Date for SPP to calculate the initial reallocation of revenue requirements to achieve a Balanced Portfolio. SPP has requested an October 1, 2012 effective date for the implementation of the transfer payments pursuant to the initial reallocated revenue requirements (and October 1 for the subsequent years 2 through 5). Therefore, to be clear, SPP intends that October 1, 2012 to be the date (and annually thereafter) for the implementation of the reallocation of revenue requirements to determine transfer payments necessary to achieve a Balanced Portfolio.

As a collateral matter, SPP does not intend for the Request for Deferral to impact the October 1, 2012 effective date. Nor should it. The purpose for the Request for Deferral is to allow SPP to comply with Commission orders in collateral dockets. Commission approval of the Request for Deferral would delay Commission action on the August 2 Filing until determinations are made in the Empire formula rate docket. Once the Empire formula rate docket is certain, SPP will adjust Empire's rate for the calculations consistent with the Commission's order; however, SPP fully expects the Commission to order an effective date of October 1, 2012 for the August 2 Filing regardless when the order on the August 2 Filing is issued.

**E. SPP HAS PROVIDED SUFFICIENT JUSTIFICATION TO ALLOW THE COMMISSION TO ACCEPT THE TARIFF REVISIONS.**

As stated previously, the August 2 Filing provides ample explanation of SPP's methodology and justification to allow the Commission to accept the submitted Tariff revisions.<sup>25</sup> Therefore, SPP supports the comments of WFEA and the Western SPP G&Ts that

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<sup>25</sup> See *Infra* n. 10, n. 11, n. 12.

the August 2 Filing be accepted by the Commission.<sup>26</sup> Likewise, SPP supports Midwest's request that the Commission defer action consistent with SPP's Request for Deferral.<sup>27</sup> However, SPP does not support the position of XCEL that an order on the August 2 Filing be delayed until the unintended consequences review has been completed and reviewed through the stakeholder process pursuant to Attachment J § IV.B because such a position is contrary to the language of SPP Tariff.<sup>28</sup>

The Request for Deferral is distinguishable from the request for effective date of October 1, 2012. Commission approval of a deferral of action will allow SPP to comply with Commission orders, and permit SPP to ensure the rates submitted in the August 2 Filing correctly reflect the appropriate Commission approved rates for Empire. Regardless of the actions SPP is compelled to take in this proceeding based on a Commission order in the Empire formula rate case, SPP intends an effective date of October 1, 2012 for the August 2 Filing.

Additionally, there is no need to withhold approval of the August 2 Filing until after any unintended consequences review is completed. Any reconfiguration of the Balanced Portfolio by SPP's Board of Directors due to the current, or a subsequent, review will be dealt with in appropriate filings subject to Commission procedure and approval. Contrary to the Western SPP G&Ts' assertions,<sup>29</sup> approval of the August 2 Filing will not block the unintended consequences

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<sup>26</sup> Western Farmers Electric Cooperative *Motion to Intervene and Comments*, Docket No. ER12-2387-000 and ER12-2387-001 ("Western Filing") (August 23, 2012) at 1. *See also* Sunflower Electric Power Corporation, et al. *Joint Motion to Intervene and Comments*, Docket No. ER12-2387-000 ("Western SPP G&Ts Filing") (August 23, 2012) at 10.

<sup>27</sup> Midwest Energy, Inc. *Motion to Intervene and Comments*, Docket No. ER12-2387-000 ("Midwest Filing") (August 23, 2012) at 3.

<sup>28</sup> XES Filing at 2-3

<sup>29</sup> See Western SPP G&Ts Filing at 11.

review or any potential reconfiguration which is still only speculation at this point in SPP as contemplated under the Tariff.

### **III. CONCLUSION**

For the reasons set forth above (and as provided in the August 2 Filing), SPP requests that the Commission:

- 1) Reject the protests and comments submitted in this proceeding;
- 2) Approve an October 1, 2012 effective date for the Tariff revisions without reservation;  
and,
- 3) Grant SPP's request for deferral of Commission action on the August 2 Filing until the Commission issues an order in Docket No. ER12-2289-000.

Respectfully submitted,

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**Attorney for  
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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Little Rock, Arkansas, this 7th day of September, 2012.

/s/ Matthew S. Harward

Matthew Harward

Attorney for  
Southwest Power Pool, Inc.