

# DRAFT

**Southwest Power Pool  
Finance Committee Recommendation  
To the SPP Board of Directors  
March 16, 2004**

Resolution of Member Overpayment

**Background**

SPP has tallied the amount by which assessments of members has exceeded 20% of SPP annual expenditures since the implementation of the SPP regional tariff; this total is commonly referred to as "Member Overpayments". The SPP Board of Directors resolved in November 1999 the intent of the company to repay Member Overpayments once service taken by customers under the SPP regional tariff exceeded 80% of SPP annual expenditures. Effective October 1, 2003, SPP modified its member assessment formula to effectively eliminate any future additions to the Member Overpayments account. Additionally, effective October 1, 2003, the SPP Board of Directors set the membership assessment rate and the Schedule 1 administrative fee rate in the tariff at \$0.15/MWh with the intent to accumulate cash in excess of expenditures. As of December 31, 2003 the accumulated cash balance totaled \$3.3 million.

**Analysis**

The Finance Committee has reviewed the total amount of Member Overpayments tallied for each individual member, the total each load serving member would owe to fully satisfy the total of Member Overpayments, and the net of the prior two totals. The Finance Committee has also reviewed the future expenditures required to operate SPP and meet the initiatives outlined by the SPP Board of Directors. These initiatives will result in increased costs and financial commitments by members and customers through 2006. The Finance Committee believes the best interest of the membership and customers of SPP is served by utilizing the \$3.3 million SPP collected over and above its actual cash expenditures during the fourth quarter of 2003 to reduce the financial burden and commitment required of members going forward. The payments required of members and customers in future years could be reduced by not paying members for the "Member Overpayments".

**Recommendation**

The Finance Committee recommends the SPP Board of Directors adopt the attached resolution authorizing resolution of the Member Overpayment issue by utilizing excess cash on hand currently to reduce future cash requirements.

**Approved:** Finance Committee

March 11, 2004

**Action Requested:** Approve Recommendation

**Southwest Power Pool, Inc.  
Board of Directors**

***RESOLUTION***

***Whereas*** on June 1, 1998, Southwest Power Pool, Inc. began providing regional transmission service pursuant to a tariff on file with the Federal Energy Regulatory Commission; and

***Whereas*** Schedule 1 of the tariff provides for collection of a charge from tariff Customers for all transmission service under the tariff to cover related administrative expenses; and

***Whereas*** Schedule 1 of the tariff allows for SPP to collect eighty percent of its total expenses through the charge to Customers up to a cap of \$0.20 per MW per hour for all transmission service under the tariff; and

***Whereas*** Schedule 1 of the tariff directs a reconciliation of actual to budgeted figures and adjustments to future charges to Customers to reflect either over or under recoveries; and

***Whereas*** Section 7 of SPP's Bylaws provided for an assessment to Members on a monthly basis equal to any actual costs incurred by SPP and not collected from Customers under Schedule 1 of the tariff; and

***Whereas*** there is a significant overlap between tariff Customers and SPP Members; and

***Whereas*** on November 8, 1999 the Board of Directors approved the following repayment policy to be administered by Staff:

1. When the SPP monthly tariff income exceeds eighty percent of monthly expenses, Staff will refund the amount over eighty percent to the previous year(s) shortfall, crediting the earliest year carryover first,
2. Current members who were members in a given year in which repayment is due will receive a refund credit on their monthly statement,
3. Former members who were members in a given year in which repayment is due will receive a refund based on the number of months of membership in that year,
4. New members joining in a given year in which repayment is due will receive a refund credit based on the number of months of membership in that year; and

***Whereas*** there has been no repayment to date and on June 24, 2003 the Board of Directors approved a new funding method which became effective October 1, 2003 that removes the difference between SPP's Schedule 1 fees and SPP's assessment mechanism, terminating accrual of "Member Overpayment"; and

***Whereas*** on September 22, 2003 the Board of Directors approved a tariff Schedule 1 charge and Member assessment rate effective October 1, 2003 implementing the methodology adopted on June 24, that was projected to build Member equity of approximately \$3.3 million as of December 31, 2003; and

***Whereas*** SPP has estimated future capital expenditure requirements to exceed \$45 million through fiscal year 2006 and operating and debt service expenditures exceeding \$0.17/MWh, both of which result in increased financial commitment and burden on the SPP membership and, to the extent of overlap, SPP customers.

***Be it now therefore resolved;*** in consideration of final resolution of “Member Overpayment”; the Board of Directors directs SPP Staff to utilize the excess of revenues over cash expenditures received during the period of October, 1, 2003 to December 31, 2003 to reduce the amount of financing required to meet SPP’s capital expenditure requirements and as much as possible, reduce the level of operating and debt service expenditures borne by the SPP membership and customers. The Board of Directors believes this final resolution of the “Member Overpayment” issue satisfies, in the best interest of SPP and the membership, the intent of the original resolution of the SPP Board of Directors dated November 8, 1999.

# OVERPAYMENT SETTLEMENT DATA

Member	Gross Accrued Member Overpayment	Repayment Option One	Repayment Option Two	Repayment Option Three	Repayment Option Four
Oklahoma Gas & Electric Company	\$2,312,149	\$377,851	\$0	\$166,141	\$366,636
AEP	\$3,490,974	\$570,494	\$0	\$250,846	\$553,562
Westar Energy	\$2,024,673	\$330,871	\$0	\$145,484	\$321,051
Kansas City Power & Light Company	\$1,300,162	\$212,472	\$0	\$93,424	\$206,166
Southwestern Public Service Company	\$1,987,081	\$324,728	\$0	\$142,783	\$315,090
Southwestern Power Administration	\$452,810	\$73,998	\$0	\$32,537	\$71,802
Northeast Texas Electric Cooperative	\$196,073	\$32,042	\$0	\$14,089	\$31,091
Empire District Electric Company	\$485,982	\$79,419	\$0	\$34,921	\$77,062
Western Farmers Electric Cooperative	\$603,667	\$98,651	\$0	\$43,377	\$95,723
City Utilities, Springfield, Missouri	\$338,816	\$55,369	\$0	\$24,346	\$53,726
Oklahoma Municipal Power Authority	\$272,137	\$44,473	\$0	\$19,555	\$43,153
Grand River Dam Authority	\$452,276	\$73,911	\$0	\$32,499	\$71,717
Texaco Energy Services	\$4,107	\$0	\$0	\$1,650	\$651
Duke Energy Power Services, Inc.	\$4,108	\$0	\$0	\$1,650	\$651
City Light & Water-Paragould, AR	\$4,810	\$0	\$0	\$1,932	\$763
Rayburn Country	\$5,385	\$0	\$0	\$2,163	\$854
Municipal Energy Agency of MS	\$5,708	\$0	\$0	\$2,293	\$905
Sam Rayburn G&T	\$6,145	\$0	\$0	\$2,469	\$974
Board of Public Util., Kansas City, KS	\$295,281	\$48,255	\$155,248	\$5,536	\$46,823
Enserch Energy Services, Inc.	\$22,036	\$0	\$0	\$8,853	\$3,494
Fina Energy Services Co.	\$22,036	\$0	\$0	\$8,853	\$3,494
Avista Energy, Inc	\$23,084	\$0	\$0	\$9,274	\$3,660
CNG Power Services Corp.	\$23,084	\$0	\$0	\$9,275	\$3,660
Koch Energy Trading Inc.	\$23,084	\$0	\$0	\$9,275	\$3,660
NP Energy Inc.	\$23,084	\$0	\$0	\$9,275	\$3,660
TXU Energy Trading	\$31,805	\$5,198	\$16,722	\$12,778	\$5,043
City of Sikeston, Missouri	\$33,571	\$0	\$0	\$13,488	\$5,323
NRG Power Marketing	\$35,617	\$5,820	\$18,726	\$14,310	\$5,648
City Power & Light, Independence, Missouri	\$186,751	\$30,519	\$98,187	\$14,320	\$29,613
Kansas Electric Power Coop.	\$185,176	\$30,261	\$97,358	\$17,825	\$29,363
PanCanadian Energy Services	\$61,516	\$0	\$0	\$24,715	\$9,755
Entergy (Marketing)	\$61,698	\$10,083	\$32,438	\$24,788	\$9,783
City of Jonesboro, Arkansas	\$63,404	\$0	\$0	\$25,474	\$10,054
Midwest Energy, Inc.	\$185,854	\$30,372	\$97,715	\$25,204	\$29,471
Tex-La Electric Coop.	\$127,584	\$20,850	\$67,079	\$25,992	\$20,231
LG&E Power Marketing	\$91,074	\$0	\$0	\$36,591	\$14,442
Coral Power LLC	\$92,806	\$15,166	\$48,794	\$37,286	\$14,716

## OVERPAYMENT SETTLEMENT DATA

Member	Gross Accrued Member Overpayment	Repayment Option One	Repayment Option Two	Repayment Option Three	Repayment Option Four
Aquila, Inc. -SJLP	\$91,636	\$14,975	\$48,179	\$36,816	\$14,531
Dynegy Marketing & Trade	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
PSI Energy (Cinergy)	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
Aquila Power	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
Calpine Power Services Co.	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
Cargill Alliant	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
Constellation Power Source	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
Duke Energy Power Formally L. Dreyfus	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
Edison Mission Mkt & Trading (Citizens Pwr)	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
El Paso Merchant Energy (Sonat Pwr Mktg)	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
Exelon Power Team (PECO Energy Co.)	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
Mirant Americas Energy Mrkg (Southern Co)	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
PG&E Energy Trading Power	\$100,713	\$0	\$0	\$40,463	\$15,970
Reliant Energy Services	\$100,713	\$0	\$0	\$40,463	\$15,970
Tenaska Power Services	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
Williams Energy Marketing & Trading Co.	\$100,713	\$16,458	\$52,951	\$40,463	\$15,970
Public Service Comm. Of Yazoo City, MS	\$105,431	\$17,229	\$55,432	\$42,359	\$16,718
City of Clarksdale, Mississippi	\$117,581	\$19,215	\$61,820	\$47,240	\$18,645
Louisiana Energy & Power Authority	\$117,400	\$19,185	\$61,724	\$47,167	\$18,616
East Texas Elec Coop.	\$178,945	\$29,243	\$94,082	\$53,614	\$28,375
City of Lafayette, Louisiana	\$267,965	\$43,791	\$140,886	\$107,660	\$42,491
Sunflower Electric Power Corp.	\$289,954	\$47,384	\$152,447	\$116,494	\$45,978
Aquila, Inc. -WPK	\$331,573	\$54,186	\$174,328	\$133,215	\$52,577
Aquila, Inc. -MPS	\$534,502	\$87,348	\$281,021	\$214,745	\$84,756
Arkansas Electric Cooperative Corporation	\$901,535	\$147,329	\$473,993	\$215,712	\$142,956
Central Louisiana Electric Company, Inc	\$828,242	\$135,351	\$435,458	\$332,761	\$131,334
<b>Total</b>	<b>\$20,811,067</b>	<b>\$3,300,000</b>	<b>\$3,300,000</b>	<b>\$3,300,000</b>	<b>\$3,300,000</b>