

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

In Reply Refer To:
Southwest Power Pool, Inc.
Docket No. ER12-2525-000

October 31, 2012

Southwest Power Pool, Inc.
Attention: Matthew Harward
201 Worthen Drive
Little Rock, AR 72223

Reference: Revised Schedule 11 Rates

Dear Mr. Harward:

On August 27, 2012, you submitted revisions to Schedule 11 of Southwest Power Pool, Inc.'s (SPP) Open Access Transmission Tariff (OATT or tariff) to provide the zonal component of through-and-out rates to be equal to the average rate per megawatt (MW) derived from all zonal revenues under Schedule 11. You also submitted revisions to Schedule 11 to provide clarifying language referencing the Revenue Requirements and Rates File (RRR File) and to fix grammatical errors.

Please be advised that your filing is deficient and that additional information is required by the Commission to process the filing. Please provide the information requested below:

1. Under SPP's existing Highway/Byway¹ cost allocation methodology, the cost of economic and reliability upgrades approved through SPP's Integrated Transmission Planning process are allocated as follows:

- Projects above 300kV: 100% on a regional postage-stamp basis
- Projects 100-300kV: 1/3 on a regional post-stamp basis, 2/3 zonally
- Projects below 100kV: 100% to the zone in which the project is located

SPP's resulting transmission rate design is based on the type of facilities at issue: to the extent that facilities meet regional needs, their costs are allocated based on a

¹ See *Southwest Power Pool, Inc.*, 131 FERC ¶ 61,252 (2010).

postage stamp rate design (a regional component); to the extent that facilities meet the needs of one or more zones, their costs are allocated to those zones (zonal component). Accordingly, SPP assesses zonal rates for all transactions sinking within SPP based on the cost of facilities in the zone where the transaction sinks.

In light of SPP's previous justification for zonal rates, please explain why through-and-out customers should pay a regional average rate reflecting the costs of facilities included in all the Schedule 11 zonal rates, instead of the zonal rate of the least-cost interconnected zone. Also, please explain how this proposal is consistent with the Highway/Byway rate design principles in general.

In light of the zonal rates applicable to the transactions sinking within SPP, please explain how the proposal to use an average rate reflecting the costs of facilities included in all of the Schedule 11 zonal rates for through-and-out customers is not unduly discriminatory.

2. You state that the current application of Schedule 11 rates for through-and-out transactions results in "substantial variability in rates amongst SPP's zonal areas." You assert in your filing that the proposal is necessary to avoid this variability in through-and-out rates and to provide more consistent treatment of transmission service exiting the SPP region.

Please explain why consistent treatment of service is necessary under Schedule 11 but not under Schedule 7, which retains a zonal rate design.

This letter is issued pursuant to delegated authority, 18 C.F.R. § 375.307(a)(1)(v) (2011) and is interlocutory. This letter is not subject to rehearing pursuant to 18 C.F.R. § 385.713. SPP must respond to this letter within 30 days of the date of this letter by making an amendment filing in accordance with the Commission's electronic tariff requirements.² Please also email an additional electronic copy of the response to Mr. Luciano Lima at Luciano.Lima@ferc.gov.

The filing requested in this letter will constitute an amendment to your filing, and a new filing date will be established, pursuant to *Duke Power Company*, 57 FERC ¶ 61,215 (1991), upon receipt of SPP's electronic tariff filing. A notice of amendment will be issued upon receipt of your response.

² *Electronic Tariff Filings*, 130 FERC ¶ 61,047, at P 3-8 (2010) (an amendment filing must include at least one tariff record even though a tariff revision might not otherwise be needed).

Failure to respond to this letter within the time period specified may result in an order rejecting your filing. Until receipt of the amendment filing, a filing date will not be assigned to your filing.

Sincerely,

Penny S. Murrell, Director
Division of Electric Power
Regulation- Central