



Southwest Power Pool
REGIONAL STATE COMMITTEE
Teleconference
September 29, 2014
• MINUTES •

ADMINISTRATIVE ITEMS:

The following members were in attendance:

Dana Murphy, Oklahoma Corporation Commission (OCC)
Donna Nelson, Public Utility Commission of Texas (PUCT)
Olan Reeves, Arkansas Public Service Commission (APSC)
Stephen Lichter, Nebraska Power Review Board (NPRB)
Steve Stoll, Missouri Public Service Commission (MOPSC)
Shari Feist Albrecht, Kansas Corporation Commission (KCC)

President Donna Nelson called the Regional State Committee (RSC) meeting to order at 1:08 p.m. with roll call and a quorum was declared. She then requested introductions of those in attendance. There were 69 in attendance, (Attendance & Proxies – Attachment 1).

REPORTS/PRESENTATIONS

Cost Allocation for Non-Order 1000 Seams Projects

Meena Thomas, Chair of the Cost Allocation Working Group (CAWG), provided the CAWG Report to the RSC (Cost Allocation for Non-Order 1000 Seams Projects – Attachment 2), (Kansas' Comments on "No" Vote – Attachment 3) and (Nebraska's Comments on "Yes" Vote – Attachment 4). Ms. Thomas reported on the cost allocation for non-order 1000 Seams projects. She provided background on the issue including the Seams Steering Committee (SSC) approval of a policy paper.

The CAWG considered two options regarding the allocation of costs of these projects:

- Assign costs of all Seams Projects to the regional rate (i.e. Highway)
- Allocate seams cost pursuant to currently approved allocation method

CAWG took the following action:

The motion was made and passed by the majority of CAWG Members with TX, KS, and NM voting no:

- CAWG recommends to the RSC adoptions of Option 1 (assign costs of all Seams Projects to the regional rate (i.e. Highway)) for cost allocation for Non-Order 1000 Seams Projects 100 kV and above.

EPA Rule 111(d)

Lanny Nickell, SPP Staff, reported on the results of the Reliability Impact Assessment. Mr. Nickell noted that the assessment is not intended to be a transmission planning study but an initial look at what you would expect to see if the retirements of existing coal generators and some gas generators occur as assumed by EPA in the proposed Clean Power Plan (CCP). He also presented the scope that SPP had put together for evaluating the cost of compliance with the proposed CCP (EPA Compliance Cost – Attachment 5).

RARTF Update

Ben Bright, SPP Staff, provided an update on the recent work of the RARTF (RARTF Update – Attachment 6). He reviewed the actions from the September 10 meeting. This included the following: (1) Staff will provide additional work on the allocation of the benefits for the reliability metric; (2) continued review by the RARTF of tariff changes to include the list of remedies from the RARTF Report; and (3) Staff’s work with members in the deficient zones from the first RCAR.

SPCTF on New Members

Kristine Schmidt, ITC Great Plains, and Commissioner Dana Murphy reported on the SPCTF on New Members (SPCTF on New Members – Attachment 7). Ms. Schmidt discussed the stages/processes for adding new members into SPP. The recommendations for process improvement include use of the “bright line” date, confidential treatment of information, and clearer communication about executive sessions of the Strategic Planning Committee to discuss possible additions of new members. It is anticipated that the RSC will act on the issues referred to them by the SPCTF on New Members at their upcoming October meeting.

Capacity Margin Task Force

Lanny Nickell, SPP Staff, gave a brief update on the work of the Capacity Margin Task Force (CMTF). The CMTF has discussed how SPP currently calculates capacity margins and the different studies involved in the process. Mr. Nickell also noted that the charter for the CMTF has been revised for MOPC approval in October. In addition, Staff will also present a proposed work plan to MOPC in October

Other RSC Matters:

The RSC discussed possible educational topics for October

Action Items:

See attached.

Scheduling of Next Regular Meeting, Special Meetings or Events:

October 27, 2014	Little Rock, AR
November 24, 2014	Net Conference (if needed)
December 29, 2014	Net Conference (if needed)
January 26, 2015	Dallas, TX
April 27, 2015	Tulsa, OK
July 27, 2015	Kansas City, MO

With no further business, the meeting adjourned at 3:32 p.m.

Respectfully Submitted,

Sam Loudenslager, SPP Staff

Monday, September 29, 2014

1:00 - 5:00 p.m.

Conference Call

1. CALL TO ORDER

2. PRELIMINARY MATTERS

a. Declaration of a Quorum

3. UPDATES

4. BUSINESS MEETING

5. REPORTS/PRESENTATIONS

a. **CAWG Report**.....**Meena Thomas**

This report provides an update on CAWG activity.

b. **Cost Allocation for Non-Order 1000 Seams Projects**..... **Meena Thomas / CAWG Members**

This report will provide an update on CAWG activity on this matter.

c. **EPA Rule 111(d)**.....**Lanny Nickell**

This report will update the RSC on SPP's efforts and activity related to EPA Rule 111(d).

d. **RARTF Update**.....**Ben Bright**

This report will provide an update on the recent meetings of the RARTF.

e. **SPC Task Force on New Members**.....**Kristine Schmidt / Dana Murphy**

This report will provide an update on the September meetings of the SPCTF on New Members and next steps.

f. **Capacity Margin Task Force**.....**Lanny Nickell**

This report will provide an update on the August and September meetings of the CMTF and next steps.

6. OTHER RSC MATTERS

7. ACTION ITEMS

8. SCHEDULING OF NEXT REGULAR MEETINGS, SPECIAL MEETINGS OR EVENTS

October 27, 2014 – Little Rock, AR

November 27, 2014 – Conference Call

December 29, 2014 – Conference Call

January 26, 2015 – Dallas, TX

April 27, 2015 – Tulsa, OK

July 27, 2015 – Kansas City, MO

9. ADJOURN

Regional State Committee Meeting	9/29/2014	
Company	Last Name	First Name
	Nelson	Donna
	Murphy	Dana
	Stoll	Steve
	Albrecht	Shari
	Lichter	Steve
	Reeves	Olan
Exelon Generation Company, LLC	Ashley	Kristy
	Bell	John
Arkansas Electric Cooperative	Bittle	Ricky
Public Service Commission, Wisconsin	Bohage	Andrew
Missouri Public Service Commission	Cecil	Walt
Oklahoma Corporation Commission	Chaplin	Jason
Public Utility Commission of Texas	Claiborn-Pinto	Shawnee
Southwestern Public Service Company	Cude	Bruce
Kansas Corporation Commission	DeBaun	Tom
Southwest Power Pool	Desselle	Michael
Basin Electric	Erhardt	Blaine
American Electric Power	Fox	Kip
Kansas City Power & Light Company	Frerking	Don
Transource Energy, LLC	Fridley	Todd
American Electric Power	Gallup	Terri
	Gaw	Steve
Xcel Energy	Grant	William
Ameren Services Company	Hayes	Patrick
Sunflower Electric Power Corporation	Hestermann	Thomas
Arkansas Public Service Commission	Ireland	Cindy
American Electric Power	Jacoby	Jim
Oklahoma Corporation Commission	King	Nicole
City Utilities of Springfield	Knottek	Jeff
Nebraska Power Review Board	Leung	William
Southwest Power Pool	Loudenslager	Sam
Southwest Power Pool	Lucas	Antoine
Xcel Energy	Luner	Jared
	Madden	Jack
Nebraska Public Power District	Malone	Paul
Arkansas Public Service Commission	Marchand	Michael
Missouri Public Service Commission	McKinnie	Adam
Sunflower Electric Power Corporation	Moffet	Michael
Southwest Power Pool	Monroe	Carl
Southwest Power Pool	Nickell	Lanny
Westar Energy, Inc.	Reed	Dennis
New Mexico Public Regulation Commission	Rippy	Dallas

Customized Energy Solutions, LTD	Safuto	Robert
ITC Great Plains, LLC	Schmidt	Kristine
Basin Electric	Schrepel	Joey
Southwest Power Pool	Scott	Shaun
	Shumate	Walt
	Starnes	Heather
	Svanda	David
Public Utility Commission of Texas	Thomas	Meena
ITC Great Plains, LLC	Winland	Chris
Golden Spread Electric Cooperative, Inc.	Wise	Michael
Morris Laing Law	Wright	Thomas
	Kennedy	Laura
	Eiken	Shelley
	Cullum	Erin
	Bright	Ben
	Baker	Tamika

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Background

- The issue of cost allocation for seams projects arising from an Interregional Planning Process was addressed by the RSC in the context of FERC Order 1000 interregional compliance filing.
- In October 2012, the RSC, through a majority vote (5-2), approved a 100% regional allocation of costs related to interregional projects selected pursuant to interregional planning processes. New Mexico and Texas dissented.

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Background (Continued)

- SPP filed the Order 1000 interregional compliance filing in July 2013. FERC has not issued its decision on the compliance filing.
- There is a need for processes to evaluate and approve Seams Projects that are identified outside of an Order 1000 process or that do not meet Order 1000 criteria.
- The Seams Steering Committee has approved a policy paper delineating the project criteria and the study/approval process for such Seams Projects.

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Cost Assignment Options Considered by CAWG:

1. Assign costs of all Seams Projects to the regional rate (i.e. Highway).
2. Allocate seams costs pursuant to currently approved allocation method (i.e. Highway/Byway – dependent upon voltage of Seams Project) with the option to request waiver.

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

CAWG Action

The following motion was made and passed by the majority of CAWG members:

CAWG recommends to the Regional State Committee adoption of Option 1 (assign costs of all Seams Projects to the regional rate (i.e. Highway)) for cost allocation for Non-Order 1000 Seams Projects 100 kV and above.

The roll call was as follows:

Nebraska: Yes	Oklahoma: Yes	Missouri: Yes	Texas: No
Arkansas: Yes	Kansas: No	New Mexico: No	

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Arguments made in support of Option 1 (assign costs of all Seams Projects to the regional rate (i.e. Highway)):

- Consistent with the approved cost allocation methodology approved by the RSC for Order 1000 interregional projects.
- Use of byway funding for lower voltage seams projects would not ensure that benefits and costs are at least roughly commensurate for zones in seams states. Byway funding would allocate majority of the costs to seams zones although a majority of the benefits will accrue to other zones as the projects would address inner-regional congestion relief and regional reliability issues.

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Arguments made in support of Option 1:

- Non-seams zones would not build the Seams Projects but would benefit from these projects. Costs should, therefore, be allocated regionally.
- Regional funding of Seams Projects would be consistent with the foundational strategy in the SPP's 2014 Strategic Plan which seeks to optimize interdependent systems. One of the high priority initiatives under this strategy is the focus on seams transmission projects.

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Arguments made in support of Option 1:

- Non-Order 1000 Seams Projects not materially different from projects that originate from the Order 1000 planning processes.
 - Provide benefits to SPP and to the seams partner.
 - Agreed upon cost allocation methodology between SPP and the seams partner.
 - Projects originate from a regional planning process, not from a bilateral planning process.

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Arguments made in support of Option 1:

- Benefits accrue regionally – In the integrated marketplace, an increase in transfer capability between SPP and a seams partner should provide benefits to the entire marketplace.
- Any concerns about seams zones unduly benefiting from Seams Projects should be addressed in the RCAR process.
- Use of highway funding for 100-300 kV Seams Projects will eliminate the incentive of the SPP seams zone interconnected to the Seams Project to lobby for a regionally funded higher voltage (and more expensive) project in place of a more efficient, lower voltage project.

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Arguments made in support of Option 1:

- Use of by-way funding creates a financial incentive for a seam zone to lobby for low-voltage facilities to be moved to a nearby, electrically similar zone.
- Regional cost allocation for a Seams Project through a waiver process puts the onus on the seams zone where the project is located to prove that the project provides regional benefits.
- The Board could vote not to approve Seams Projects deemed to not provide regional benefits. The seams zone may choose to pursue such projects as sponsored projects.
- Regional cost allocation for Seams Projects would encourage the development of beneficial, efficient Seams Projects.

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Arguments made against Option 1 (assign costs of all Seams Projects to the regional rate (i.e. Highway)):

- The Kansas CAWG member supported the current highway/byway cost allocation methodology for Seams Projects except for byway Seams Projects that serve as RCAR remedies, but was willing to consider the option of a waiver (Option 2).
- Regional funding for 100-300 kV seams projects as RCAR remedies in deficient zones is appropriate (Proposed Tariff Revision Request 131). However, if the RSC adopts regional cost allocation for all Seams Projects 100 kV and above as the norm, the RCAR remedy contemplated in TRR 131 for 100 -300 kV projects would be moot.
- Unlimited availability of regional funding for 100-300 kV projects virtually eliminates any potential benefit- cost ratio shifts between TOs.

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Arguments made against Option 1:

- When highway/byway was established, it was determined that highway project benefits were predominantly regional while zonal (byway) projects benefits were predominantly local in nature although byway cost allocation provides for a 1/3 regional component.
- Applying the highway/byway cost allocation for Seams Projects ensures that the cost allocation is consistent with existing cost allocation for projects within the SPP footprint, is uncomplicated, easy to administer, and will not result in discriminatory rate treatment of byway projects based on geographical location of such projects.

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Arguments made against Option 1:

- Until recently, lack of accurate external modelling data for planning and not lack of highway funding has been the impediment in the consideration of Seams Projects in SPP planning.
- With the periphery of the SPP region expected to double in the near future, the number of potential Seams Projects is unknown and the regional benefits of lower voltage Seams Projects are unclear.
- Regional funding for 100-300 kV byway projects could end the existence of zonally funded byway projects. There is no length limit proposed for non-Order 1000 Seams Projects.

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Arguments made against Option 1:

- Unlike the Order 1000 process, it is unlikely the seams partner (the TO) could spread its share of the costs across a region. This could result in SPP taking on more costs than it otherwise would, to facilitate the construction of the Seams Project.
- Some of the arguments made to support regional cost allocation for seams byway projects could apply to non-seams byway projects; however, non-seams byway projects do not receive 100% regional funding currently under the highway/byway cost allocation.
- The reasons given for deviating from the current cost allocation methodology for byway projects (2/3rd zonal and 1/3rd regional) are based on assertions that byway Seams Projects are unique in nature because they are expected to provide regional benefits.

CAWG REPORT TO RSC

Cost Allocation for Non-Order 1000 Seams Projects

Arguments made against Option 1:

- Seams Projects are currently under evaluation by SPP and its seams partners. Until the completion of the studies, it would not be possible to determine whether byway Seam Projects would provide regional benefits and are unique to warrant regional cost allocation.
- The Texas and New Mexico CAWG members supported regional funding for Seams Projects on a case-by-case basis (Option 2) until SPP has gained experience with these Seams Projects, at which point SPP could apply automatic regional funding for all Seams Projects on a going forward basis. Seams Projects serving as RCAR remedies would be excluded from the case-by-case evaluation.
- Regional cost allocation for non-order 1000 Seams Projects is not equitable. The recent decision by the U.S. Court of Appeals for the Seventh Circuit rejected the postage stamp rate method developed by FERC as a cost-spreading mechanism for high-voltage transmission facilities constructed in the PJM footprint.

CAWG REPORT TO RSC

Questions?

Submitted by: Meena Thomas

CAWG Chairman

September 29, 2014

Kansas comments on “no” vote for the Seams Project cost allocation motion:

Option 1: Assign costs of all seams projects to the regional rate (i.e. Highway).

- KS agrees that the regional (Highway) rate is appropriate for 300 kV+, non-Order 1000, Seams Projects, but 100-300 kV Seams Projects (other than RCAR remedies) should use existing Byway cost allocation.
- RCAR Remedies – Regionally funded Seams Projects were initially advocated, at least in part, as remedies for benefit-deficient zones, but unlimited availability of regional funding for 100 – 300 kV (Option 1) virtually eliminates any potential B/C shifts between TOs. KS would have readily supported an optional motion to include benefit deficient zones only for 100-300 kV regional funding (TRR 131 would accomplished the same thing, but if the RSC adopts the Option 1 position, the benefit under RCAR will be moot).
- KS notes that the establishment of Highway/Byway was a laborious process resulting in a FERC-approved cost allocation methodology [The SPP solution was hailed by FERC]. At the time H/B was adopted, the majority of stakeholders determined and agreed that Highway project benefits were predominantly regional while zonal (Byway) project benefits were predominantly local in nature. Notably, Byway cost allocation presently provides a 1/3 regional component in recognition of the assumption that almost any Byway project has some regional benefit. KS prefers to keep the cost allocation methodology relatively uncomplicated, consistent, and easy to administer. [Thereby avoiding discriminatory rates.]
- One reason for relatively few Seams Projects to date is that previous SPP transmission planning models have seldom considered projects connecting to other non-SPP areas until the past few years when external modeling data became more accurate and available. Lack of data for planning, not lack of Highway funding has stymied Seams Projects.
- The potential number of Seams Projects is largely unknown and the mostly-verbal examples considered over the past two years described situations in MO, NE, and AR. The periphery of the SPP region will soon be doubling, which will result in an unknown number of new Seams Projects between IA, MN, CO, and portions of NM, as well as Canada, the western part of Western-UGP, and other WAPA sub-regions. There have been no projections of how many Seams Projects the SPP expansion might produce.
- Regional cost recovery for 100-300kV Byway projects could end the existence of zonally funded Byway projects as we know them (66% zonally funded) because in SPP transmission planning, “projects” consist of multiple upgrades and it will be relatively easy to take a major 345 kV Seams Project and add on several

hundred miles of lower-voltage upgrades as a part of an overall “project”. No length limit is proposed for Seams Projects.

**Statement in Support of
Proposed Cost Allocation Methodology
Seams Projects Policy Paper
John A. Krajewski, Nebraska CAWG Representative**

The purpose of this statement is to provide the reasons for Nebraska's vote in support of the proposed cost allocation methodology included in the Seams Projects Policy Paper. Nebraska supports the proposed methodology whereby 100% of seams projects are allocated regionally (highway allocation).

Consistent with Allocation Methodology for Order 1000 Seams Projects

The proposed allocation methodology is consistent with the previously approved allocation methodology for projects originating from an Order 1000 planning process. That methodology was approved by the Regional State Committee at its October 29, 2012 meeting by a 5-2 vote.

The seams projects contemplated under this policy, from a non-Order 1000 seams planning process, are not materially different from projects that originate from the Order 1000 planning processes.

- They provide benefits to SPP and to the seams partner.
- There is an agreed upon cost allocation methodology between SPP and the seams partner.
- Most importantly, the project originates from a regional planning process, not from a bilateral planning process.

Benefits Accrue Regionally

With the advent of the Integrated Marketplace, any increase in transfer capability between SPP and a seams partner should provide benefits to the entire marketplace. Constraints between SPP and a seams partner do not just affect locational marginal prices (LMPs) in the interconnected zone; they may affect LMPs throughout the region.

To the extent the SPP zone interconnected to the seams partner receives a disproportionate benefit relative to the allocated cost of the seams project, it would be assigned those benefits in the Regional Cost Allocation Review process. The RCAR process, if it works the way it has been presented, would address mismatches of benefits of costs from seams projects.

Avoidance of Higher Voltage (and More Expensive) Projects

Use of highway funding for seams projects with voltage of less than 300 kV will eliminate the incentive of the zone interconnected to the seams project to lobby for a higher voltage project. I believe SPP does evaluate least cost transmission solutions and would not intentionally propose a 345 kV project when a 161 kV project would resolve a seams issue.

I am concerned that the motivation of the SPP zone on the seam if byway funding were used for projects less than 300 kV. The SPP zone would be motivated not for the "least cost" solution, but rather the solution that results in the lowest allocated costs. The lowest allocated may end up being a higher cost, 345 kV project that qualified for 100% regional highway funding.

Determination of Preferred Seams Project Interconnection Point

Use of by-way funding could result in a seams planning process where affected participants have a financial motivation to lobby for low-voltage facilities to be moved to a nearby zone. While this may not be an issue in some zones, in areas like southeast Nebraska and Kansas City where there are multiple SPP zones near a seam, it could result in some interesting planning dynamics.

For example, in southeast Nebraska, NPPD and OPPD each own substations that operate at a voltage of less than 300 kV, but more than 100 kV, in the same general vicinity of Cooper Nuclear Station. A seams planning process with Associated Electric Cooperative (AECI) could result in a determination that a 161 kV seams project between SPP and AECI was needed in southeast Nebraska.

NPPD and OPPD would both be in a situation where interconnecting with either party would likely be electrically similar, because of the close proximity of their facilities. Each would likely be a beneficiary of the facility, but each would likely try to ensure through the seams planning process that the facility be interconnected to the other zone. Rather than working together to come up with the least cost solution that provides the most benefits, the two SPP zones on the seam would be working first to minimize their own costs rather than working to minimize total costs and maximize benefits for all SPP ratepayers.

Use of highway funding for seams projects avoids these types of issues.

Avoids Subjective Waiver Process

There was some discussion of implementing a “waiver” process. In my experience, this puts the onus on one party, the SPP zone where the seams project is located, to prove that the project provides regional benefits. Under the seams policy project approach of highway funding, the presumption is that there are regional benefits. No single entity is put in a position to convince others to pay more by granting a waiver.

Conceivably, if a seams project were deemed to not provide regional benefits, the Board could vote not to do the project at all. If the SPP zone on the seam realized sufficient benefit and still wanted to pursue the project, it could do so as a sponsored project.

Encourages Efficient Seams Projects

If SPP would like to encourage the development of beneficial, efficient seams projects, this approach improves the likelihood of projects getting proposed, approved and ultimately constructed. Using a cost allocation methodology that is detrimental to the SPP zone on the seam may result in that zone lobbying to not have a project built, working to have the project moved to a nearby, electrically similar zone, or lobbying for a more expensive project that would be subject to 100% regional cost sharing to be built in place of a more efficient, lower voltage project that may resolve the same issue.

EPA Compliance Cost Scope



Objective

Develop resource plan models utilizing Strategist, in order to evaluate the compliance cost to adopt the Clean Power Plan - Section 111(d) EPA recommendations. The study also will show the cost difference between a state-by-state compliance plan approach and a regional compliance plan approach.

Study Process

1. Develop modeling zones that group generation and load according to state boundaries for the following states: Kansas, Oklahoma, Nebraska, Missouri, Arkansas, Louisiana, North Dakota, South Dakota, Texas and New Mexico. For Texas and New Mexico, only include the generation and load operating in the Eastern Interconnection.
2. Develop a single modeling zone that groups all generation and load operating within the SPP market.
3. Develop a baseline resource plan¹, using the state-wide structure established in step 1, that reflects the generating capacity projected to exist in each of the states by 2024 absent the CPP. Use the 2015 ITP10 Business as Usual (BAU) assumptions for fuel prices, load, and existing generation. The result of this step produces a State Approach Base Case.
4. Develop a baseline resource plan using the SPP region-wide structure established in step 2 that reflects the generating capacity projected to exist in the SPP region by 2024 absent the CPP. Use the 2015 ITP10 Business as Usual (BAU) assumptions for fuel prices, load, and existing generation. The result of this step produces a Regional Approach Base Case.
5. Analyze the carbon emission levels present in both the State Approach and Regional Approach Base Cases. The levels will represent baseline 2024 levels projected to exist prior to implementation of any CPP compliance plans.
6. Build two Strategist models adding the following assumptions on top of both Base Cases. One will be a State Approach Change Case and the other a Regional Approach Change Case:
 - Remove from both Base Cases generating capacity according to EPA's projected retirements.
 - Assume 2% Heat Rate Improvements for all coal plants not retired, in both Change Cases.
 - Increase the capacity factor of all combined cycle units as necessary up to 70% in both Change Cases.
 - In the State Approach Change Case, add wind generation capacity to each state as necessary to simulate EPA's Renewable Energy assumptions for each state.
 - In the Regional Approach Change Case, add wind generation capacity to the SPP region as necessary to simulate EPA's Renewable Energy assumptions for the portion of each of the

¹ SPP will use Strategist software to develop the described resource plans. Strategist does not consider the transmission system to develop the resource plan; it is based on forecasted load, existing generation and capacity margin by zone. A set of prototypes with respective levelized bus bar costs related to specific capacity factors will be utilized to provide an optimized resource plan.

Southwest Power Pool, Inc.

states operating in the SPP region². The regional wind generation will be sited in areas with higher capacity factors when compared with the State Approach Change Case.

- Each state will be required to achieve the Interim State Goal specified by the EPA. This will be utilized in the State Approach Change Case.
 - Emissions targets by state will be weighted and averaged together to create a regional emissions target for use in the Regional Approach Change Case.
7. Using the State Approach Change Case, develop a resource plan for each state that simulates compliance with the states' interim goals and analyze the resulting emission levels.
 8. Using the Regional Approach Change Case, develop a regional resource plan that simulates SPP regional compliance with the states' interim goals, as those interim goals would be allocated to SPP.
 9. If after completion of steps 7 and/or 8, the applicable goals are not met, use a carbon tax penalty to achieve the desired change case emissions goal. This task may require several iterations to force the compliance plan to achieve the emissions goal state-by-state and also for the region.
 10. Calculate a State Approach Compliance Cost using the difference between resource plans from steps 7 and 3. Calculate a Regional Approach Compliance Cost using the difference between resource plans from steps 8 and 4. If application of a carbon tax penalty is required in either approach, that cost will be included in the applicable compliance cost. The compliance cost will also include the cost to build new CCs and CTs.
 11. Generate a report.

² The wind growth assumption assigned to the portion of the state operating in SPP will be determined by allocating the EPA's state-wide Renewable Energy growth assumption on a load-ratio share basis.

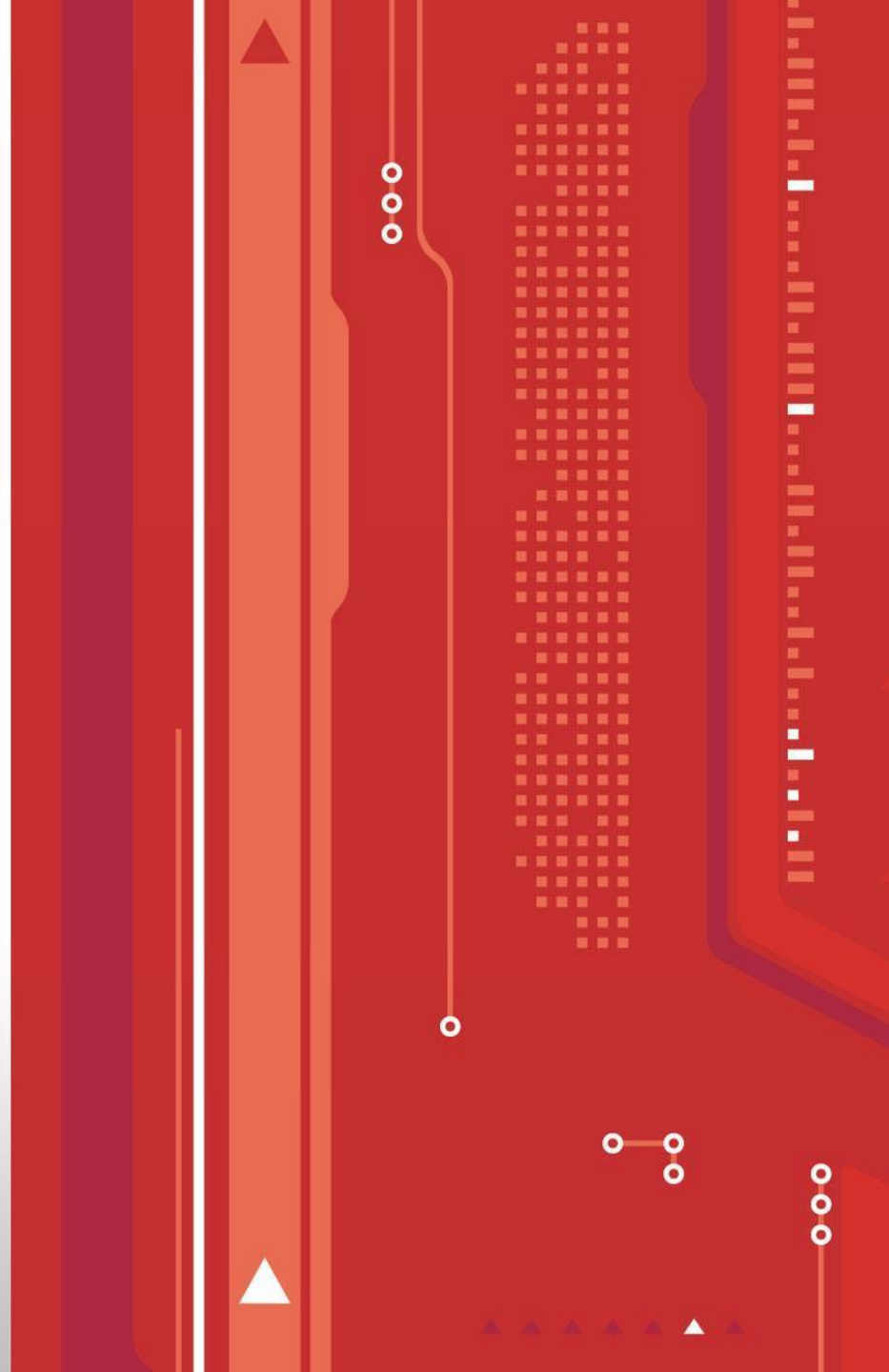
Time/Cost

SPP Staff estimates that it will take 1,000 hours to complete the study as defined in this scope.

RSC Update - RARTF

September 29, 2014

Commissioner Olan Reeves
RARTF Chairman



RARTF Members

RARTF Members

Butch Reeves, Chair

Arkansas Public Service Commission

Richard Ross, Vice Chair

American Electric Power

Shari Albrecht

Kansas Corporation Commission

Steve Lichter

Nebraska Power Review Board

Steve Stoll

Missouri Public Service Commission

Phil Crissup

Oklahoma Gas and Electric

Bill Grant

SPS Xcel Energy

Bary Warren

Empire District Electric

Harry Skilton

SPP Board of Directors

September 10, 2014 Agenda topics

1. Welcome and Overview
2. Presentation on Status of Metrics
3. Wheeling Through and Out Metric vs. PTP Offset
4. Tariff Changes
5. SPP Staff Work with Deficient Zones on Remedies
6. RITF Scope and Responsibilities

47 stakeholders participated

Status of Metrics

- SPP BOD approved the calculation and allocation of the metrics in July 2014
- Disagreement in the stakeholder process on the allocation of two metrics
 - Mandated Reliability
 - Mitigation of Transmission Outage Costs
- Staff will provide additional allocations for the reliability metric in the RCAR II analysis (illustrative purposes):
 - BOD approved allocation
 - Highway/Byway allocation
 - 100% system reconfiguration allocation

Wheeling Through and Out vs. PTP Offset

- In RCAR I historical PTP revenues were calculated and used as revenue offset; will also be used in RCAR II
- Wheeling Through and Out metric that will be monetized in RCAR II will evaluate the additional PTP opportunity created by the build out of the SPP system.

Tariff Changes

- **The RARTF will continue to review the tariff changes needed to include the potential RCAR remedies in the tariff.**
- **Stakeholders expressed desire to use this language to streamline/expedite the ability to implement remedies, if needed.**
- **RARTF has asked for a staff legal review of this item due to concerns regarding FERC authority.**

Staff Work with Deficient Zones on Remedies

- RCAR I showed 5 zones were deficient based on the NTC + 10 year evaluation and 6 zones based on the NTC-only evaluation.
- Staff met with each deficient zone to discuss RCAR I findings in greater detail and discuss potential projects that could be reviewed in the RCAR II analysis.
- Zones were asked to submit projects that could help identify remedies through either:
 - projects they would like us to consider in the ITP10 and interregional studies, or
 - zonal sponsored projects to be considered for highway/byway treatment or byway projects that could be considered for highway treatment

RARTF Next Meeting

- **Post October Meeting Cycle**
- **Topics**
 - **RITF Scope and Responsibilities**
 - **Remedy Tariff Language**
 - **RCAR II Schedule**

Strategic Planning Committee Task Force on New Members

- Task Force was formed to develop recommended prospective communications and work group processes to be followed during the various stages of engaging new transmission owning and load serving members
 - This prospective process would only apply to new members whose request for membership requires modifications to the SPP Membership Agreement, SPP OATT (beyond the typical *pro forma* changes), and SPP Governing Documents

SPC TF on New Members

- Stages engaging prospective new members:
 1. Initial Discussions
 2. Due Diligence and Membership Agreement Discussions
 3. SPP OATT and Governing Document changes
 4. FERC Approvals
 5. Integration
- The Task Force discussed and plans to make recommendations for improvements to the process for communications and working group coordination for Stages 1-3 only

Process for New Members

- Stage 1: Initial Discussions

- Informal communications between prospective new members and SPP Staff
- SPP Staff updates the Strategic Planning Committee (SPC) of on-going interest while preserving confidentiality as needed
- Triggering event – prospective new member formally notifies SPP of their desire to join SPP, but their membership requires changes to the Membership Agreement, SPP OATT, and Governing Documents, beyond the *pro forma* changes to add new members
 - Discussions may be proprietary/confidential due to the new member's needs, or due to negotiations between RTOs
 - SPP Staff notifies SPC, and forms a Members Forum to assist in guiding the negotiations

Process for New Members

- Stage 1: Initial Discussions – *Recommendations for Process Improvements:*
 - A. SPP Staff identify on SPC agendas there is to be a discussion on new members that could require an Executive Session
 - B. Representatives(s) from RSC and CAWG attend the SPC meetings, and to possibly join the ad hoc Members Forum*
 - C. SPP Members attend the SPC meetings and can join the ad hoc Members Forum as space allows
 - D. SPP Staff review and modify its work processes to reflect the final approved changes from the Task Force

*Subject to RSC feedback on preference to participate, and assurance that they can protect the confidential information that may be subject to FOIA and state open meeting laws.

Process for New Members

- Stage 2: Due Diligence and Membership Agreement Discussions
 - SPP Staff is solely responsible for the direct negotiations with the prospective new member(s) consulting with SPC and Members Forum
 - Due to many of these discussions being highly confidential, SPP Staff regularly updates the Strategic Planning Committee (SPC) of discussions and negotiations in Executive Sessions
 - SPP Staff updates the SPP Board, Members Committee, RSC and MOPC periodically as discussions progress; oftentimes, in executive session or closed meetings
 - SPP Staff conducts a cost/benefit study to assess the impact of adding the new member(s)
 - Triggering event – at a certain point, the negotiations and discussions become public to all SPP Stakeholders (e.g., through press releases)
 - SPP Staff convenes a special all-Member meeting to walk through the various discussions, changes to documents, the SPP cost/benefit studies conducted to date, and any legal analyses conducted

Process for New Members

- Stage 2: Due Diligence and Membership Agreement Discussions –
Recommendations for Process Improvements:
 - SPP Staff identify on SPC agendas the discussion on new members that could require an Executive Session
 - SPP Staff formally brings the decision of a more extensive production cost/benefit analysis or third party analysis to the SPC, and have this decision clearly noted on the SPC agenda and that the item could be discussed in Executive Session
 - When SPP Staff convenes the all-Member special meeting, SPP Staff convene an RSC/CAWG special meeting to follow so that Members and Commissioners/Staff can hear the issues of concern from each other*
 - Any time a prospective new member identifies a legal matter they intend to seek a legal review, SPP Staff should conduct a similar legal analysis
 - SPP Staff review and modify its work processes to reflect the final approved changes from the Task Force
 - SPP Legal Staff should develop a process document describing the general legal analyses that could be requested and provide guidance on how SPP Legal Staff would pursue and disseminate the information

*Subject to RSC feedback on preference to participate, and assurance that they can protect the confidential information that may be subject to FOIA and state open meeting laws.

Process for New Members

- Stage 3: SPP OATT and Governing Document Changes
 - SPP Staff is solely responsible for the direct negotiations with the prospective new member(s), while the SPC and Members Forum continue to give guidance to SPP Staff
 - Matters of concern are highly unique to the entity(ies) joining and thus, all negotiations are on a case-by-case basis
 - SPP Staff will continue to update the SPC, SPP Board, Members Committee, RSC and MOPC

Process for New Members

- Stage 3: SPP OATT and Governing Document Changes –
Recommendations for Process Improvements:
 - A. SPP Staff ensure working group and committee agendas state potential changes to the SPP OATT and Governing Documents are being discussed as part of new member negotiations
 - B. SPP Staff carve out specific times/meetings to solely discuss potential new members and address the concerns and questions of the RSC Members and their Commission Staff

SPC TF NM Feedback Needed from the RSC

1. Can/should RSC, CAWG or State Commission staff attend the SPC meetings' Executive Sessions, and to possibly join the ad hoc Members Forum
 - Need RSC feedback on preference to participate, and assurance that they can protect the confidential information that may be subject to FOIA and state open meeting laws
2. When SPP Staff convenes the all-Member special meeting, SPP Staff convene an RSC/CAWG special meeting to follow so that Members and Commissioners/Staff can hear the issues of concern from each other
 - Need RSC feedback on preference to have a second SPP Staff convened special meeting as proposed
3. The Task Force discussed the issues of cost allocation as to the RSC's involvement and as to a "Bright Line" date with regard to such cost allocation. The Task Force requests more information from the RSC as to how it views its role in cost allocation regarding the "Bright Line" date