
**Regional Transmission Expansion Plan
Key Issues and Success Factors
From The
State Jurisdictional Transmission Owners Perspective**

**RSC Cost Allocation Symposium
October 12, 2004**

Represented State Jurisdictional Transmission Owners

- ◆ **AEP, EDE, KCP&L, MWE, OG&E, WESTAR, XCEL**
- ◆ **Responsible for approximately 80% of load within the SPP footprint**
- ◆ **Members are regulated by one or more of the following State Commissions:**
 - Arkansas, Kansas, Louisiana, Missouri, Oklahoma, Texas, and New Mexico

Presentation Objectives

- **Describe two key issues regarding Transmission Expansion**
 - Obtaining sustained State Commission support from all states
 - Fair and Equitable Treatment of New and/or Changes to DNRs and Reliability Upgrades

State Commission Buy-in (regardless of final plan)

- ◆ **State Commission Policy Approval & Policy Change Risk**
 - ❖ Must recognize RTO OATT costs
 - ❖ If not, TOs have a high risk of having trapped costs

- ◆ **Need for increased certainty regarding:**
 - ❖ Recovery of costs assigned in future “out of state” Capital Projects

 - ❖ Recovery of SPP allocated “Regional and Zonal” Costs for non-jurisdictional upgrades

 - ❖ Higher uncertainty on cost recovery means more uncertainty in the financial markets

- ◆ **The TO White Paper on “Certainty of Recovery of Transmission Costs”**

Let's talk about the CAWG proposal . . .



Fair/Reasonable Treatment of Base Plan Reliability Upgrades & DNRs

- ◆ **Cost Allocation with new or changes in DNRs should not be 100% allocated to all customers.**
 - ✓ It is extremely difficult to separate “necessary for load growth” from “economics”.
 - ✓ Recovery of allocated “Regional and Zonal” costs from 3rd Party changes in DNRs is uncertain.
 - ✓ The risk of recovery of allocated costs for state jurisdictional and non-jurisdictional members must be reasonably balanced.
 - ✓ The CAWG proposal regarding DNR does not comply with the RSC’s “Cost Causer/Beneficiary and No Free Rider” principles and creates undo cost shifts.

What's the Impact?

Irrespective of the DNR Requestor				
Same sized DNR and same upgrade costs				
Same zone				
LARGE	SMALL			
LSE	LSE			
Cost	Cost			
Responsibility	Responsibility			
<u>Percentage</u>	<u>Percentage</u>	<u>Proposals</u>		
91.44%	100.00%	Existing Today		
80.94%	51.80%	T.O.'s Proposal *		
61.88%	3.60%	CAWG Proposal **		
13.88%	0.81%	TDU Proposal ***		
*Ten year contract; 50% direct assign; 50% per CAWG proposal				
**CAWG's proposal, 67% zone(s) and 33% to the region.				
***100% of the costs would be assigned to the region.				

Missing Pieces

- Implications for the state jurisdictional TO if one or more of its state jurisdictions “abstain” or votes no for the RSC plan
 - It's Guaranteed State Regulatory uncertainty if RSC approval for the CAWG plan “is not” a unanimous endorsement
- The proposed plan does not address how the RSC is going to get each state commission’s buy-in to the plan.
- How does the state jurisdictional TO deal with non-recovery risk in the financial markets for capital and credit rating?

Fair/Reasonable Treatment of Economic Upgrades

- ◆ Economic Upgrades must be “voluntary” for those that “may” benefit. (Y = 100%)
- ◆ If there is a Regional/Zonal allocation of costs, then TOs must have some assurance/affirmation that the State Commissions are “ok” with the approved Economic Upgrade approach.
- ◆ No mandatory allocation of costs unless proposed economic upgrade cancels or delays base plan “reliability” project(s).

Recommended Action

- The represented TOs respectfully request that the CAWG, RSC, SPP BOD and Stakeholders work together to develop practical solutions to these issues/concerns before a filing is made at FERC regarding a transmission cost allocation plan.
- RSC recommend each State Commission within the SPP footprint give opportune consideration to resolving the issue of transmission improvement cost recovery for their jurisdictional utilities.

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