



Southwest Power Pool
REGIONAL STATE COMMITTEE TELECONFERENCE MEETING
September 22, 2004

• M I N U T E S •

Agenda Items 1 & 2 – Administrative Items

RSC President Denise Bode (OCC) called the Regional State Committee (RSC) meeting to order at 10:00 a.m. Other members in attendance or represented by proxy were:

- Sandy Hochstetter, Arkansas Public Service Commission
- Brian Moline, Kansas Corporation Commission
- Steve Gaw, Missouri Public Service Commission
- Ben Montoya, Proxy for David King, New Mexico Public Regulation Commission
- Jess Totten, Proxy for Julie Parsley, Texas Public Utility Commission

Others in attendance were:

- Mike Proctor, Missouri Public Service Commission
- James Watkins, Missouri Public Service Commission
- Greg Meyers, Missouri Public Service Commission
- Richard House, Arkansas Public Service Commission
- Sam Loudenslager, Arkansas Public Service Commission
- Tom DeBaun, Kansas Corporation Commission
- Mike Peters, Kansas Corporation Commission
- Joyce Davidson, Oklahoma Corporation Commission
- Ken Zimmerman, Oklahoma Corporation Commission
- Walter Wolf, Louisiana Public Service Commission
- Bruce Rew, Southwest Power Pool
- Carl Monroe, Southwest Power Pool
- Les Dilahunty, Southwest Power Pool
- Pam Kozlowski, Southwest Power Pool
- Terri Gallup, AEP
- Raj Rana, AEP
- Mike Jacobs, American Wind Energy Association
- Ronnie Frizzel, Arkansas Electric Cooperative Corp.
- James Stanton, Calpine
- David Christiano, Springfield Municipal Utility
- Raksha Krishna, EEI
- Barry Warren, Empire District Electric
- Steve Owens, Entergy
- Tony Ingram, FERC
- John Rogers, FERC
- Alan Robbins, Kansas Municipal Utilities
- Michael Wise, Golden Spread EC
- Barry Cohen, Golden Spread EC

Richard Spring, Kansas City Power and Light
David Kays, Oklahoma Gas & Electric
John Gunesh, Oklahoma Gas & Electric
Bill Wiley, Oklahoma Gas & Electric
Tom Littleton, Oklahoma Municipal Power Authority
Gene Anderson, Oklahoma Municipal Power Authority
Darryl Gilliam, Southwestern Power Administration
Charley Mann, Sunflower EC
Dennis Reed, Westar Energy
Tom Stuchlick, Westar Energy
Shah Hossain, Westar Energy
Gary Roulet, Western Farmers EC
Bernard Liu, Xcel Energy

A quorum was declared.

President Bode asked for adoption of the September 8, 2004 minutes. **These minutes were approved.**

Agenda Item 3 – Business Meeting

- a. President Bode requested an update on the policy concerning transmission upgrade and expansion cost allocation for the Southwest Power Pool. Mike Proctor reported that the Cost Allocation Working Group (CAWG) had met in Austin on September 16, following the September 15 meeting of the RSC. During the CAWG meeting, two approaches for funding Base Plan Upgrades were developed. These approaches were set out in a document that Bruce Rew distributed to the RSC on September 21, and which he emailed to the cost-allocation exploder during the course of the RSC meeting. (The document is attached.)

Mike noted that a group of transmission owners had also distributed a proposal for funding of Base Plan Upgrades, which was distributed on September 21.

There was a discussion among the RSC members and CAWG members, with comments from others on the call concerning the CAWG document, in particular in relation to Approach 1 and the limits on additional resources in connection with the designation of a new network resource. There was also discussion of:

- whether the factor or methodology adopted to allocate costs to the region and zones would be differentiated by the voltage level of the facilities that are constructed;
- whether the regional-zonal allocation would be based on an approved methodology or approved allocation factors (specific percentages); and
- whether the methodology or factors should be revised and, if so, how often.

Vice President Hochstetter noted that some of the documents that were distributed prior to the meeting were not sent to Commissioners. She asked that the Commissioners be included on all distributions.

The RSC members or proxies and CAWG members from Arkansas, Missouri, Oklahoma, and Texas participated actively in the discussion. Near the end of the discussion of this topic, President Bode asked the views of New Mexico and Louisiana. Both representatives reported that they could not provide substantive comments but would report to their Commissioners.

- b. There was a brief discussion of whether to support the proposal that was to go before the Regional Tariff Working Group (RTWG) to delay the implementation of a provision of the

transmission tariff that all new facilities would be rolled into rates. The provision currently states that the requirement to roll the cost of new facilities into rates will take effect in February 2005. It has been proposed to extend this date by one year. In view of the on-going discussion of transmission funding, the RSC agreed that this extension is appropriate.

Agenda Item 4 – Future Meetings

There was a discussion of the RSC Annual Meeting scheduled for October 26 in Little Rock. The wind interests have requested time to make a presentation to the RSC. It was agreed that the meeting would start at 10:00 a.m. and the wind interests could make a presentation at the beginning of the meeting.

An RSC teleconference is scheduled for October 6.

Adjournment

With no further business, President Bode thanked everyone for participating and adjourned the meeting at noon.

Respectfully Submitted,

Julie Parsley, Secretary

Straw Proposal

The purpose of this short paper is to summarize the key elements of a proposal to allocate costs for base funded projects within SPP. This paper reflects the discussions of the CAWG members on September 16, 2004 and summarizes the options discussed at that meeting.

Key Elements of Proposal to Allocate Costs for Base Plan Upgrades

The general consensus is that costs should be allocated using a regional/zonal approach. Given that context, the CAWG discussed proposals that consisted of the following elements:

1. Determine the regional allocation factor - X% of costs is allocated to SPP-wide regional postage stamp rate using a defined methodology.
2. Allocate remaining costs to zones – Allocate (100%-X) costs to zones using a defined methodology.
3. Flexibility for including future resources in base plan – this element addresses the question as to the flexibility accorded transmission customers to change their resources in the planning process so that any associated transmission upgrades qualify as a base funded project. This element consists of two components:
 - a. Commitments required for resources to be included in base plan – this element defines certain criteria that must be met in order for a resource to be eligible to be included in the base plan and hence for any associated upgrades costs to be eligible as a base funded upgrade.
 - b. Limitations on requesting future resource requirements – a concern was expressed as to how much capacity a transmission customer is permitted to reserve in relation to its historic requirements. One approach is to establish a hard cap (e.g. 125% of peak load). Another is to establish a reasonability check.
4. Waivers – the CAWG recognized that there may be certain circumstances that would justify waiving certain provisions that would disqualify a proposed upgrade from being eligible for base funded upgrade status. The waivers discussed are listed in a later section.

Combinations Discussed

There were two basic approaches discussed and these are summarized in the table below.

Element	Approach 1	Approach 2
Regional allocation factor	25%-33%	50%
Allocation of (1-x) costs to zones	Use the SPP MW Mile approach to identify zones that benefit from upgrade	Allocate remaining costs to zones in which facility(ies) are built.
Commitment required	5-7 years	3 years
Limits on additional resources	125% of peak load	SPP performs a reasonability check on case-by-case basis.

Approach 1 is a variation on the theme of the SPP proposal. Approach 2 is a mix of elements that were discussed at the meeting. The different elements are not exclusive to one approach so that different parts can be mixed and matched as desired.

Other Considerations

There were two other general areas that were discussed: waivers and review of the regional allocation factor.

Waivers

The CAWG recognized that any plan must have sufficient flexibility built in to it so that it is both practical and doesn't create any undesirable barriers to the competitive market place. During the meeting, the group discussed including the following waivers as part of any proposal:

1. Lack of competitive alternatives – it may be appropriate to approve a project as a base funded project if there are no competitive alternatives for (one or a group) of transmission customers.
2. Dollar magnitude – there may be a *de minimus* standard that is appropriate for small projects in terms of dollar amounts that provide significant value to the region.
3. Distance –
4. Cost-benefit – [it may be appropriate to approve projects that have a very short projected payback period](#)
5. Fuel diversity – to the extent a proposed project would benefit the region's fuel diversity, it may be appropriate to allow certain upgrade costs to be eligible for base funding.

Review of the Regional Allocation Factor

The CAWG discussed the question as to how often the regional allocation factor should be reviewed and updated. The discussion focused primarily on three areas: (1) whether this allocation factor should be updated on a regular basis (e.g. every planning cycle); (2) whether this factor should be tied to the commitment level for the resources (e.g. the 3 year or five year term); or (3) whether the factor should be fixed for a minimum period of time. The consensus position developed was that regional allocation factor should be reviewed at least once every 5 years. The SPP Board and RSC could review this more frequently if circumstances warranted. However, the SPP should review the reasonability of this factor under any circumstances at least once every five years.