



1000 Center St.

Little Rock, AR 72201

Southwest Power Pool
REGIONAL STATE COMMITTEE TELECONFERENCE MEETING
Little Rock, Arkansas
December 8, 2004

• M I N U T E S •

Agenda Items 1 & 2 – Administrative Items

RSC President Denise Bode (OCC) called the meeting to order at 10:04 a.m. Other members in attendance or represented by proxy were:

Sandra Hochstetter, Arkansas Public Service Commission (APSC)
Mike Peters, proxy for Brian Moline, Kansas Corporation Commission (KCC)
Mike Proctor, proxy for Steve Gaw, Missouri Public Service Commission (MPSC)
Julie Parsley, Texas Public Utility Commission (TPUC)

Others in attendance were:

Sam Loudenslager, Arkansas Public Service Commission
Larry Holloway, Kansas Corporation Commission
Thomas DeBaun, Kansas Corporation Commission
Robert Krehbiel, Kansas Corporation Commission
Greg Meyer, Missouri Public Service Commission
Steve Dottheim, Missouri Public Service Commission
Joyce Davidson, Oklahoma Corporation Commission
Bridget Headrick, Texas Public Utility Commission
Jess Totten, Texas Public Utility Commission
Walter Wolf, Stone, Pigman, Walther, Wittman, LC, outside counsel for the Louisiana Public Service Commission (by telephone)
Tony Ingram, FERC
Bruce Rew, SPP
Les Dillahunty, SPP
Cheryl Robertson, SPP
Carl Monroe, SPP
Pat Bourne, SPP
Mark Rossi, BDR
Richard Spring, Kansas City Power and Light
Allan Robbins, Kansas Municipal Utilities
Terri Gallup, AEP
Michael Desselle, AEP
Bill Wylie, OG&E

David Kays, OG&E
Tom Littleton, Oklahoma Municipal Power Authority
Dennis Reed, Westar
Tom Stuchlik, Westar
Burton Crawford, Kansas City Power and Light
Steve Owens, Entergy
Walt Shumate, Consultant
Bary Warren, Empire District
Dave Christiano, City of Springfield
David Brian, East Texas Electric Cooperatives
Christine Ryan, East Texas Electric Cooperatives
Jim Stanton, Calpine Corp.
Rick Walker, Wind Coalition
David Fliescher, Secretary of Energy (Oklahoma)
Carl Huslig, Aquila
Lance Boyd, Aquila
John Seelke, NewEnergy Associates
Steve Henderson, Charles River Associates
Ralph Luciani, Charles River Associates
Alex Rudkevich, Charles River Associates
Bernie Liu, Xcel Energy

A quorum was declared. President Bode asked for adoption of the November 10, 2004 and the November 16, 2004 meeting minutes. **Vice President Sandra Hochstetter moved to adopt the November 10 and November 16 minutes. Mike Peters seconded the motion. In a roll call vote, the minutes were adopted unanimously.**

Agenda Item 3 – Updates

President Bode asked for updates from the RSC officers, FERC, and SPP.

Tony Ingram (FERC) reported on recent FERC activities. Mr. Ingram stated that Commissioner Kelly's nomination had been confirmed. He reported that a wind generation NOPR for generation interconnection addressing standards like those in Order 2003 and 2003-A is being undertaken. Mr. Ingram pointed out that the November 18 FERC Order ERO5-86 dealing with MISO/PJM through and out rates may be of interest to SPP. Carl Monroe (SPP) reported from SPP that an executed Joint Operating Agreement with the Midwest ISO was filed at FERC and that SPP is still holding on to a request for rehearing. One point to be settled is the forward allocation of use of facilities. Lanny Nickel (SPP) is meeting with PJM/MISO/SPP stakeholders and will present a method for addressing SPP's concern on December 9. The purpose is to receive feedback from stakeholders that could lead to a filing incorporating changes.

President Bode asked for reports from other officers. There were no other reports.

Cost Benefit Study (CBTF): President Bode asked for a cost benefit study report. Sam Loudenslager (APSC) reported that approximately 20 stakeholders met on December 7 in Little Rock to review initial input data and noted that there was a need for refinement and correction to that data. The corrections will be out late next week. Another conference call is scheduled for

December 22. Mr. Loudenslager stated that another point of discussion was how best to incorporate the CAWG work on a cost allocation policy into the cost benefit study. He called on Ralph Luciani or Steve Henderson of Charles River and Associates (CRA) to present their work, which consisted of three options. Mr. Luciani reviewed the three options:

Option 1: Summarize the results of the analysis already performed by SPP comparing the costs to individual TOs (zones) of implementing the \$550 million transmission expansion plan under the cost allocation methodology currently in use (direct assignment) versus under the new cost allocation method. This work could be done within the current budget and Bruce Rew with SPP has already completed this work.

Option 2: SPP would create and cost out an alternate transmission expansion plan assuming SPP were not an RTO. The difference in costs for each TO (zone) between the \$550 million plan (with the new cost allocation method) and the alternate no-RTO plan zone would be calculated. The present value of this difference would be calculated. It is assumed that the expansion plan would be less costly if SPP were not an RTO as certain regionally oriented investments would be less likely to be made. A qualitative discussion of the offsetting benefits would be made (e.g., capacity market efficiencies, reliability benefits, dispatch savings, etc.)

Option 3: Same as #2 above, except that the alternate transmission plan would be put into MAPS in order to quantify the dispatch savings that the additional transmission provides. Further qualitative discussion of the other offsetting benefits would be made. This option would require the significant time and expense of an additional MAPS analysis and processing.

Following much discussion, there was an agreement to proceed as Bruce Rew suggested with the SPP, CAWG, CBTF, and CRA developing a written scope of what can be done and the time involved with respect to the 3 options presented.

Cost Allocation Working Group (CAWG): President Bode asked Carl Monroe (SPP) for an update on the cost allocation for transmission upgrades. Mr. Monroe reported that the Regional Tariff Working Group (RTWG) has completed a second round of draft language to convert the RSC proposal into tariff language. Chairs of the Markets & Operations Policy Committee (MOPC), the Board of Directors, and the RTWG met via conference call on Friday, December 3, to discuss the RTWG progress. It was determined not to have the December MOPC and Board meetings as planned but hold a WebEx meeting sometime between December 15 and January 6 to prepare members and the SPP Board for the January Board meeting. Mike Proctor (MPSC) stated that the CAWG was asking the RTWG to deal with two issues: 1) a reasonableness check and 2) the specifics of the waiver process. CAWG needs to know to what extent these are to be covered in tariff language. John Seelke offered comments on behalf of CLECO concerning flow based to zone load ratio and share within the zone. President Bode requested that the RTWG draft language be sent to the RSC prior to the January Board meeting. Mr. Monroe stated that CAWG and the RSC would receive copies of draft language now and in the future.

President Bode referred to other agenda items asking if further old or new business needed to be addressed. There was no other business presented.

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Agenda Item 5 – Future Meetings

The next scheduled RSC meeting is January 24, 2005 in Shreveport. Another meeting may be required prior to January 24 via teleconference or face-to-face. Meeting details and agendas will be distributed and posted on the SPP RSC web page.

Adjournment

With no further business, President Bode asked for a motion to adjourn. **Secretary Parsley moved to adjourn. Vice President Hochstetter seconded the motion. With all in agreement, the meeting adjourned at 12:07 p.m.**

Respectfully submitted,

Julie Parsley, Secretary