

**Regional State Committee
Budget Performance**

June 2005

	<u>Jun 05</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>Jan - Jun 05</u>	<u>YTD Budget</u>	<u>\$ Over Budget</u>	<u>Annual Budget</u>
Income							
4900 · Other Income	459.34	13,655.00	(13,195.66) (A)	786,076.00	116,975.00	669,101.00 (D)	1,422,665.00
Total Income	<u>459.34</u>	<u>13,655.00</u>	<u>(13,195.66)</u>	<u>786,076.00</u>	<u>116,975.00</u>	<u>669,101.00</u>	<u>1,422,665.00</u>
Expense							
6000 · Operating Expenses							
6200 · Meeting-related Travel	459.34			25,861.67			
6300 · Administrative	0.00			2,281.60			
6000 · Operating Expenses - Other	0.00	13,655.00	(13,655.00) (A)	0.00	116,975.00	(116,975.00) (B)	222,665.00
Total 6000 · Operating Expenses	<u>459.34</u>	<u>13,655.00</u>	<u>(13,195.66)</u>	<u>28,143.27</u>	<u>116,975.00</u>	<u>(88,831.73)</u>	<u>222,665.00</u>
6800 · Outside Services							
6810 · Cost-Benefit Study							
6811 · Energy Imbalance	0.00	0.00	0.00	757,932.73	0.00	757,932.73 (C)	0.00
6812 · Ancillary Services	0.00	0.00	0.00	0.00	0.00	0.00	400,000.00
6813 · Congestion Management	0.00	0.00	0.00	0.00	0.00	0.00	800,000.00
Total 6810 · Cost-Benefit Study	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>757,932.73</u>	<u>0.00</u>	<u>757,932.73</u>	<u>1,200,000.00</u>
Total 6800 · Outside Services	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>757,932.73</u>	<u>0.00</u>	<u>757,932.73</u>	<u>1,200,000.00</u>
Total Expense	<u>459.34</u>	<u>13,655.00</u>	<u>(13,195.66)</u>	<u>786,076.00</u>	<u>116,975.00</u>	<u>669,101.00</u>	<u>1,422,665.00</u>
Net Income	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

NOTE: Net Income for actual results and budgeted amounts will be \$0 due to the fact that expenses incurred are reimbursed 100% by SPP. Reimbursements are recorded as income. Therefore, expenses will always equal income.

(A) Current month expenses relate entirely to travel related expenses for RTWG and MWG meetings and were less than what was assumed in the budget. Revenue relates to reimbursements from SPP for those expenses.

(B) Year to date expenses are less than budget due to meeting related expenses being less than what was assumed in the budget.

(C) Year to date costs for outside services have been greater than budget due to the fact that expenses for the cost benefit study relating to the energy imbalance market were budgeted in 2004 and actual costs were not incurred until 2005.

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Jun 05	Budget	\$ Over Budget	Jan - Jun 05	YTD Budget	\$ Over Budget	Annual Budget
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(D) Year to date revenue is greater than budget due to expenses to date being greater than what was assumed in the budget.
See (B) and (C) for expense variance explanations.

Cheryl Robertson

Subject: Cost-Benefit Gas Price Sensitivity

-----Original Message-----

From: Les Dillahunty

Sent: Thursday, June 23, 2005 4:12 PM

To: 'Luciani, Ralph'; SPP Regional State Committee (EXPLODER)

Cc: Rudkevich, Alex; Wolfe, Ellen; Cuffman, Steve; Pat Bourne; Jeff Price

Subject: Cost-Benefit Gas Price Sensitivity

All,

During the RSC meeting on June 22 there was an agenda item and discussion concerning the CRA Cost/Benefit study, focused on insights gained by stakeholders after having had the opportunity to review the Study details. One of the specific questions of the RSC was an assessment of the impact upon the Study results if a different natural gas forecast were utilized. Ralph Luciani, CRA, who was in attendance agreed to provide an estimate of time and expense required to perform this alternative analysis.

Ralph has responded with the following alternatives. Option 1 references the data request submitted by the Arkansas Public Service Commission (APSC) regarding the recent filing of the Cost/Benefit study and supporting testimony in SPP's CCN application. The question posed by the APSC was:

1-8. How might you expect your core net benefit/(cost) findings to differ with high or low fuel price forecasts? Are your findings sensitive to fuel price forecasts?

I assume the RSC will consider the alternatives and provide the appropriate direction to SPP and CRA.

Les Dillahunty

-----Original Message-----

From: Luciani, Ralph [mailto:RLuciani@crai.com]

Sent: Thursday, June 23, 2005 10:23 AM

To: Les Dillahunty

Cc: Rudkevich, Alex; Wolfe, Ellen

Subject: Cost-Benefit Gas Price Sensitivity

Les, we talked over the higher natural gas price sensitivity that the RSC asked about and had a couple of ideas for your consideration:

1. Perform a side calculation in which natural gas prices are \$2/mmBtu higher than those used in the study. (The 2006 gas prices used in the study are about \$2/mmBtu lower than the current 2006 futures). Calculate the change in production cost savings (EIS vs. Base only), and use this change to infer the change in EIS market trade benefits to SPP (presumably positive). On the plus side, this could be done quickly with just a couple days effort from our staff, and perhaps could be used in response to the Arkansas data request 1-8 asking about this issue. On the negative side, it would not take into account the change in unit dispatch that would occur if higher gas prices were actually run through the MAPS model. This no-change-in-dispatch issue might be more of an issue when trying to allocate the trade benefits to individual companies (so perhaps we would not do that, instead noting in general terms that SPP trade benefits would increase by __%).

2. Re-run the MAPS Base and EIS cases with a higher gas price forecast (either \$2/mmBtu higher, or using an updated forecast that we would have on

the shelf), and push the MAPS results through our SAS post-processing, individual company allocation, etc. This likely would take several weeks and roughly \$50K to get right, given that 6 new MAPS runs would be required (2 cases x 3 MAPS years), and the significant amount of MAPS post-processing required. Working with the CBTF to discuss/decide on a specific alternative natural gas forecast and preparing a formal supplemental report discussing the results would add more time/budget.

Hope this helps. Let us know your thoughts.

Thanks,
Ralph

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SPP Cost-Benefit Study

- In the course of performing a follow-up allocation analysis for Aquila on the Aquila sensitivity cases, CRA discovered that the ownership shares for some jointly-owned generating units in SPP had been incorrectly input into the allocation model.
- Most were large coal-fired baseload plants that operate similarly in all scenarios and correcting the ownership shares would have only a minor impact on the individual company results.
- However, one of these jointly owners units, Stateline CC, is gas-fired and has a significant change in its dispatch between the Base and EIS cases.

SPP Cost Benefit Study

- Stateline CC had been treated as 100% owned by Empire. Correcting this to 60% Empire/40% Westar decreases the EIS market benefits for Empire and increases the EIS market benefits for Westar Energy from those originally presented in the Report.

EIS Market Case, Benefits (Costs) for Individual Transmission Owners Under the SPP Tariff
(in millions of 2006 present value dollars; positive numbers are benefits)

<u>Original</u>			<u>Revised</u>		
Transmission Owner	Type	Benefit	Transmission Owner	Type	Benefit
AEP	IOU	58.5	AEP	IOU	58.5
Empire	IOU	70.0	Empire	IOU	47.9
KCPL	IOU	(2.2)	KCPL	IOU	(2.2)
OGE	IOU	95.3	OGE	IOU	95.3
SPS	IOU	69.4	SPS	IOU	69.4
Westar Energy	IOU	5.3	Westar Energy	IOU	27.4
Midwest Energy	Coop	(0.7)	Midwest Energy	Coop	(0.7)
Western Farmers	Coop	75.2	Western Farmers	Coop	75.2
SWPA	Fed	1.2	SWPA	Fed	1.2
GRDA	State	(5.0)	GRDA	State	(5.0)
Springfield, MO	Muni	6.0	Springfield, MO	Muni	6.0
Total		373.1	Total		373.1

SPP Cost Benefit Study

- In turn, this correction increases the EIS market benefits for Kansas, and decreases those for Missouri from those originally presented in the Report. There are also some minor changes to the benefits of other states where Empire is located.

EIS Market Case, Benefits (Costs) by State for Retail Customers of Investor-Owned Utilities under the SPP Tariff
(in millions of 2006 present value dollars; positive numbers are benefits)

<u>Original</u>	
Arkansas	9.2
Louisiana	(3.8)
Kansas	8.3
Missouri	60.0
New Mexico	9.2
Oklahoma	141.7
Texas	26.6

<u>Revised</u>	
Arkansas	8.5
Louisiana	(3.8)
Kansas	26.4
Missouri	41.7
New Mexico	9.2
Oklahoma	141.1
Texas	26.6



Recent FERC Decision on OMS Confidential Data

Les Dillahunty
Vice President, Regulatory
Affairs
Southwest Power Pool

**Regional State
Committee Meeting**

**July 27, 2005
Austin, TX**

1



OMS FERC Decision on Confidential Data

- ❖ **As filed on March 31, 2004, the MISO Market Tariff included a provision regarding confidential data that allowed the state commissions and the OMS to gain access to confidential data in a manner equivalent to FERC's access. (Section 38.9.4 and 54.3 of the MISO Tariff).**
- ❖ **FERC rejected both sections in its Order on August 6, 2004.**

2



OMS FERC Decision on Confidential Data

- ❖ **“The Midwest ISO’s proposal is broader than the recently-accepted PJM confidentiality policy, and we believe that the two ISOs should have comparable rules as they move toward a joint and common market.”**
- ❖ **“The revised proposal should include the type of non-disclosure agreement recently approved for PJM.”**

3



OMS FERC Decision on Confidential Data

- ❖ **“The question here is whether the record demonstrates:**
 1. **that OMS and the states need access to data that is comparable to the Commission’s access;**
 2. **that they will keep that data confidential; and**
 3. **a legitimate purpose for the data. ”**

4



OMS FERC Decision on Confidential Data

- ❖ “If the states have wholesale market data, they may have an array of uses for it that may have potential benefits for the public. However, OMS cites no instances in which it (or any of its member states) has actually used wholesale market data in order to bring about the potential benefits that it identifies.
- ❖ ... it is not clear that state commissions need unlimited access to wholesale market data in order to bring about these benefits.”



5



OMS FERC Decision on Confidential Data

- ❖ “OMS, and its individual members such as the Ohio Commission, have given us every reason to believe that they take the confidentiality of wholesale market data seriously, and would make every effort to maintain this confidentiality.”
- ❖ “We are not convinced, however, that the unauthorized disclosure of confidential data is the only source of potential damage to utilities if state commissions have access to wholesale market data.”
- ❖ “Our ruling is intended to give states access to confidential information on terms they consider necessary to fulfill their obligations while protecting market participants from any harm that may result from the release of this sensitive, proprietary and confidential information.”



6



OMS FERC Decision on Confidential Data

- ❖ **“We disagree... that state commissions can serve as co-regulators with regard to wholesale energy markets.”**
- ❖ **“OMS cites no instances in which it (or any of its member states) has actually used wholesale market data in order to bring about the potential benefits that it identifies.”**
- ❖ **“As OMS itself points out elsewhere in its Offer of Proof, if states are given overbroad access to data merchant generators may be discouraged from locating within the Midwest ISO regions. OMS notes that there is no evidence of this to date, and we agree; however, we also note that there can be no evidence of this type of harm prior to the time that data confidentiality provisions of the TEMT are finalized and made effective. We thus find that it is appropriate to take precautions to minimize the risk of harm that could result from making disclosures of data to state commissions.”**

7



OMS FERC Decision on Confidential Data

- ❖ **“The more closely related RTOs are, the more important it is that they have in place effective means of working together, despite market design and operational differences that may exist between them. In cases where such differences will hinder coordinated RTO operations, the Commission may find that an otherwise reasonable tariff proposal is unjust and unreasonable, and require changes to improve RTO compatibility. This is such a case.”**

8



SPP Draft Confidentiality Provisions

- ❖ The SPP provision regarding State Commission access and RSC access is very similar to original MISO filing.
- ❖ Under FERC OMS Order, States retain all rights to access data allowed under the law, but other regulatory bodies (i.e. OMS, RSC) that have no statutory authority must gain access through the tariff provisions set out in the PJM OA.
- ❖ SPP and the SPP RSC must jointly agree and support the filed position on confidentiality
- ❖ Defining the differences between SPP and MISO/PJM will be critical to this proceeding.

9



SPP Draft Confidentiality Provisions

- ❖ Defining the differences between SPP and MISO/PJM will be critical to this proceeding.
 - ◆ Examples of prior beneficial use of wholesale data
 - ◆ Regional IRP potential identified in the SPP strategic Plan
 - * From the SPC Report: ENHANCED REGIONAL PLANNING
 - * SPP is in a unique position as a regional transmission and reliability organization. It can serve as a conduit for various issues and positions that impact localities, states, the region, and national matters...
 - * The following steps should be taken:
 1. SPP staff will develop a white paper for the SPC addressing the expansion of its portfolio of services and the impact on the organization to do so.
 2. SPP will host a technical conference for educational purposes, to coordinate/facilitate discussion of various issues of interest in the region.
 3. SPP staff and the SPC will support the RSC's efforts to evaluate the need for and develop, when appropriate, a practical integrated resource solution for the region.

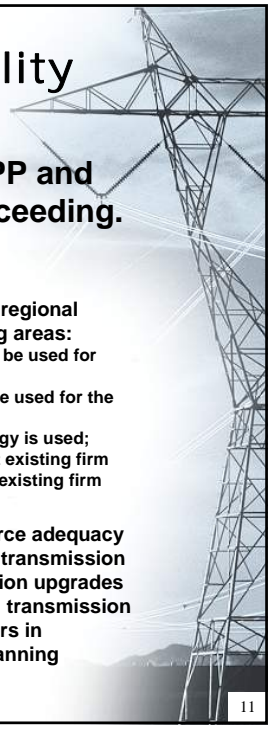
10



SPP Draft Confidentiality Provisions

❖ **Defining the differences between SPP and MISO/PJM will be critical to this proceeding.**

- ◆ The recently approved cost allocation methodology
- ◆ The RSC has primary responsibility for determining regional proposals and the transition process in the following areas:
 - * (a) whether and to what extent participant funding will be used for transmission enhancements;
 - * (b) whether license plate or postage stamp rates will be used for the regional access charge;
 - * (c) FTR allocation, where a locational price methodology is used;
 - * (d) the transition mechanism to be used to assure that existing firm customers receive FTRs equivalent to the customers' existing firm rights.
- ◆ The RSC will also determine the approach for resource adequacy across the entire region. In addition, with respect to transmission planning, the RSC will determine whether transmission upgrades for remote resources will be included in the regional transmission planning process and the role of transmission owners in proposing transmission upgrades in the regional planning process.



Excerpts from the FERC-approved PJM Operating Agreement

18.17 Confidentiality.

18.17.1 Party Access.

(b) Except as may be provided in this Agreement or in the PJM Open Access Transmission Tariff, the Office of the Interconnection shall not disclose to its Members or to third parties, any documents, data, or other information of a Member or entity applying for Membership, to the extent such documents, data, or other information has been designated confidential...

(c) Nothing contained herein shall prevent the Office of the Interconnection from releasing a Member's confidential data or information to a third party provided that the Member has delivered to the Office of the Interconnection specific, written authorization for such release setting forth the data or information to be released, to whom such release is authorized, and the period of time for which such release shall be authorized.

18.17.2 Required Disclosure.

(a) Notwithstanding anything in the foregoing Section to the contrary, and subject to the provisions of Section 18.17.3, if a Member or the Office of the Interconnection is required by applicable law, or in the course of administrative or judicial proceedings other than FERC proceedings or investigations, to disclose to third parties other than the FERC or its staff, information that is otherwise required to be maintained in confidence pursuant to this Agreement, that Member or the Office of the Interconnection may make disclosure of such information; provided, however, that as soon as the Member or the Office of the Interconnection learns of the disclosure requirement and prior to making disclosure, that Member or the Office of the Interconnection shall notify the affected Member or Members of the requirement and the terms thereof and the affected Member or Members may direct, at their sole discretion and cost, any challenge to or defense against the disclosure requirement.

18.17.4 Disclosure to Authorized Persons

(a) Notwithstanding anything in this section to the contrary, the Office of the Interconnection and/or the PJM Market Monitor shall disclose confidential information, otherwise required to be maintained in confidence pursuant to this Agreement, to an Authorized Person under the following conditions:

- i) The Authorized Person has executed a Non-Disclosure Agreement with the Office of the Interconnection, representing and warranting that he or she: (i) is an Authorized Person; (ii) is duly authorized to enter into and perform the obligations of the Non-Disclosure Agreement; (iii) has adequate procedures to protect against the release of any confidential information received, (iv) is familiar with, and will comply with any applicable procedures of the Authorized Commission which the Authorized Person represents, (v) covenants and agrees on behalf of himself or herself to deny any Third Party Requests and defend against any legal process which

seeks the release of any confidential information that would be released in contravention of the terms of the Non-Disclosure Agreement, and (vi) is not in breach of any Non-Disclosure Agreement entered into with the Office of the Interconnection.

ii) The Authorized Commission employing or retaining the Authorized Person has provided the Office of the Interconnection with: (a) a final order of FERC prohibiting the release by the Authorized Person or the Authorized Commission of confidential information in accordance with the terms of this Agreement and the Non-Disclosure Agreement; and (b) either an order of such Authorized Commission or a certification from counsel to such Authorized Commission, confirming that the Authorized Commission (i) has statutory authority to protect the confidentiality of any confidential information received from public release or disclosure and from release or disclosure to any other entity, (ii) will defend against any disclosure of Confidential Information pursuant to any Third Party Request through all available legal process, including, but not limited to, obtaining any necessary protective orders, (iii) will provide the Office of the Interconnection with prompt notice of any such Third Party Request or legal proceedings and will consult with the Office of the Interconnection and/or any Affected Member in its efforts to deny the Third Party Request or defend against such legal process, (iv) in the event a protective order or other remedy is denied, will direct Authorized Persons authorized by it to furnish only that portion of the confidential information which their legal counsel advises the Office of the Interconnection in writing is legally required to be furnished, (v) will exercise its best efforts to obtain assurance that confidential treatment will be accorded to such confidential information and (vi) has adequate procedures to protect against the release of such confidential information; and (c) confirmation in writing that the Authorized Person is authorized by the Commission to enter into the Non-Disclosure Agreement and to receive confidential information under this Agreement.

iii) The Authorized Commission employing or retaining the Authorized Person has provided the Office of the Interconnection with a State Certification.

iv) The Office of the Interconnection and the PJM Market Monitor shall be expressly entitled to rely upon such FERC and Authorized Commission orders, the State Certification and/or certifications of counsel in providing confidential information to the Authorized Person, and shall in no event be liable, or subject to damages or claims of any kind or nature hereunder due to the ineffectiveness of the FERC and/or Commission orders, or the inaccuracy of such certification of counsel.

Excerpts from the SPP Draft Confidentiality Provisions

1.3.2.5 Required Disclosure

(1) Notwithstanding anything in this Section 1.3 to the contrary except Section 1.3.3, Section 1.3.4 and Section 1.3.5, if a Receiving Party is required by applicable law, or in the course of administrative or judicial proceedings, **other than Commission or state regulatory proceedings or investigations, to** disclose to third parties, other than to the Commission or its staff or a state regulator or its staff, Confidential Information that is otherwise required to be maintained in confidence pursuant to this Tariff, the Receiving Party subject to such Disclosure requirement may disclose such information; provided, however, that the Receiving Party shall not release the data until the affected Disclosing Party(ies) provide written consent or until the affected Disclosing Party's(ies') legal avenues to prevent the disclosure are exhausted.

1.3.3 Confidentiality Provisions Applicable to the IMM

(3) Except as may be required by subpoena or other compulsory process or as set forth in Sections 1.3.5 (1) and 1.3.5 (2), the IMM shall not Disclose Confidential Information to any person or entity except to the Commission or its staff **or to a state regulator or its staff** without prior written consent. Upon receipt of a subpoena or other compulsory process for the Disclosure of Confidential Information, the IMM shall promptly notify the affected Disclosing Party(ies) that originally provided the data and shall provide all reasonable assistance requested by the affected Disclosing Party(ies) to prevent disclosure, and if possible under the terms of the subpoena or other compulsory process shall not release the data until the affected Disclosing Party(ies) provide written consent or until the affected Disclosing Party(ies') legal avenues to prevent disclosure are exhausted. To the extent reasonably possible, the confidentiality of a Confidential Information subject to this Subsection 1.3.3(3) will be maintained with (a) a protective order, (b) other procedures available for protecting confidential data or (c) by aggregating data to prevent Disclosure of Confidential Information.

1.3.5 Disclosure to State Regulatory Commissions

(1) Notwithstanding any provisions of this Section 1.3 to the contrary, and pursuant to the provisions of Section 1.3.5(3) below, **if any state regulatory commission, or other state governmental department that shares the regulatory responsibilities of such commission, or duly authorized members of their respective staff, or counsel of record or consultant to such a regulatory commission, during the course of an investigation or otherwise acting in fulfillment of a constitutional and/or statutory authority, obligation or duty, or any regional state committee (RSC) formed by such state regulatory commissions through its staff, collectively "Authorized Requestor," requests Confidential Information from SPP and/or the IMM that is otherwise required to be maintained in confidence pursuant to this Tariff, or reports that are derived from or contain such information, SPP and/or the IMM shall provide the requested information or reports to the Authorized Requestor within the time provided for in the request for information.** Should SPP and/or the IMM require

additional time to provide the information requested due to logistical matters such as the volume of information requested or technical complexity involved, SPP and/or the IMM will promptly communicate that need to the Authorized Requestor. In the event that the request is made in a docketed proceeding, the request for additional time shall be treated in accordance with the agency's rules of practice and procedure or other applicable procedures. Otherwise, the Authorized Requestor and SPP and/or the IMM shall mutually establish the time for production of the requested information.

(2) SPP and/or the IMM will promptly provide to the affected Disclosing Party(ies) that originally provided the Confidential Information to SPP and/or the IMM notice of and all relevant information related to the request for such information. In providing the Confidential Information to the Authorized Requestor, SPP and/or the IMM shall, consistent with the terms of the statute, rule or agreement applicable to the Authorized Requestor, request that the information be treated as confidential and non-public by the Authorized Requestor and that the information be withheld from public Disclosure; provided, however, that this required non-Disclosure shall not extend to Confidential Information that is, or becomes publicly available other than through a manner inconsistent with this Section 1.3.

(3) To facilitate the process described above, any Authorized Requestor prior to making its first request for information to either SPP or the IMM pursuant to this Section 1.3.5 shall provide to both SPP and the IMM: (i) a list of the constitutional and/or statutory authority, obligation or duty, or in the case of RSC staff the agreement, establishing or specifying the particular Authorized Requestor's duty, responsibility or authority in fulfillment of which it will make requests to SPP and/or the IMM under this Section 1.3.5 for information; and (ii) a statement identifying and forwarding copies of the particular statute, rule or regulation, protective order issued by the Authorized Requestor, or practice that will allow the Authorized Requestor to keep Confidential Information received by it hereunder confidential and non-public, and of limited distribution within the Authorized Requestor. In the case of RSC staff this requirement will be deemed met by the execution of a nondisclosure agreement with SPP and the IMM containing terms typical of or customary to such agreements sufficient to bind RSC staff having access to Confidential Information pursuant to this Section 1.3.5 to maintain such information as confidential and not to Disclose the information to third parties who are not Authorized Requestors.