



**Southwest Power Pool
REGIONAL STATE COMMITTEE
Santa Fe, New Mexico
October 24, 2005**

• M I N U T E S •

Administrative Items:

Members in attendance or represented by proxy were:

- Denise Bode, Oklahoma Corporation Commission (OCC)
- Sam Loudenslager, proxy for Sandra Hochstetter, Arkansas Public Service Commission (APSC)
- Mike Peters, proxy for Brian Moline, Kansas Corporation Commission (KCC)
- Julie Parsley, Public Utility Commission of Texas (PUCT)
- Mike proctor, proxy for Steve Gaw, Missouri Public Service Commission (MPSC)

Others in attendance:

- Tom DeBaun, Kansas Corporation Commission
- Joyce Davidson, Oklahoma Corporation Commission
- Adrienne Brandt, Public Utility Commission of Texas
- Bridget Headrick, Public Utility Commission of Texas
- Jim Eckelberger, SPP Director
- Harry Skilton, SPP Director
- Phyllis Bernard, SPP Director
- Carl Monroe, SPP
- Les Dillahunty, SPP
- Stacy Duckett, SPP
- Cheryl Robertson, SPP
- Lamona Lawrence, SPP
- Tony Ingram, Federal Energy Regulatory Commission
- John Rogers, Federal Energy Regulatory Commission
- Cynthia Marlette, Federal Energy Regulatory Commission
- David Fleischaker, Secretary of Energy, OK
- Bobby Wegener, Deputy Secretary of Energy, OK
- Walter Wolf, Stone, Pigman, Walther, Wittman, LLC
- Steve Owens, Entergy
- Bill Wylie, OG+E
- David Kays, OG+E
- Mel Perkins, OG+E
- Richard Ross, AEP
- Calvin Crowder, AEP
- David Brian, East Texas Cooperatives
- Walt Shumate, EEI
- Carl Huslig, Aquila
- Kristy Ashley, Exelon

Richard Spring, KCPL
Walt Yeager, Cinergy
Ron Gary, Lafayette Utilities System
Gary Roulet, WFECC
Harry Dawson, OMPA
Ricky Bittle, AECC
Dave Christiano, City of Springfield
Shah Hossain, Westar
Doug Henry, Westar
Tom Stuchlik, Westar
Bill Berg, Exelon
Rick Wolfinger, Constellation

President Bode called the meeting to order at 1:00 PM. Secretary Parsley called roll and a quorum was declared. President Bode asked for adoption of the July 27, 2005 meeting minutes.

Sam Loudenslager moved to adopt the June 22, 2005 minutes. Secretary Parsley seconded the motion. Hearing no objection, the minutes were adopted.

President Bode stated that Mr. Tom Kraemer from BNSF addressed the RSC at noon regarding the Powder River Basin and coal transportation.

Amendment of Bylaws:

Secretary Parsley provided a report regarding two amendments to the RSC Bylaws (RSC Bylaws Amendments – Attachment 1):

1. Current RSC Bylaws state: “The President, Vice-president, Secretary, and Treasurer shall be elected by the SPP RSC Board of Directors for a term of one year, or until their successors are elected, and shall not consecutively serve for more than one term in any one office.” Secretary Parsley recommended eliminating term limits.
2. Either combine the offices of secretary and treasurer into one office or allow the duties of the secretary or treasurer to be fulfilled by a designee of the SPP RSC Board of Directors. Secretary Parsley suggested that four offices remain, with the ability for the RSC to delegate duties of either the secretary or treasurer in the event an office is not filled.

Secretary Parsley moved to approve amendments to the RSC Bylaws as stated. Mike Proctor seconded the motion, which passed unopposed.

Election of Officers:

President Bode called for election of RSC officers. **Secretary Parsley moved that Denise Bode continue to serve as President of the RSC. Sam Loudenslager seconded the motion. There was no discussion and no nominations from the floor. All voted aye and the motion passed unopposed.**

President Bode moved to elect Julie Parsley for Vice President. Mike Proctor seconded the motion. There was no discussion and no nominations from the floor. All voted aye and the motion passed unopposed.

Secretary Parsley moved to elect Brian Moline as Treasurer. Sam Loudenslager seconded the motion. There was no discussion and no nominations from the floor. All voted aye and the motion passed unopposed.

Secretary Parsley designated the secretarial duties to SPP with Les Dillahunty as the SPP Staff contact. Vice President Parsley will oversee the secretarial duties.

Updates:

President Bode asked for updates from the RSC officers. Hearing none she moved on to the FERC report presented by Tony Ingram. Mr. Ingram introduced Cyndy Marlette, previously General Counsel under Chairman Pat Wood and now the Principal Deputy General Counsel. Tony Ingram reported on the Commission's issuance of the (1) policy statement in Docket No. PL06-1-000, addressing enforcement of the Commission's orders and regulations, penalties for violations, and credit for compliance and (2) proposed rulemaking on market manipulation in Docket No. RM06-3-000, addressing prohibited behavior by market participants. He also noted the Commission's issuance in September 2005 of a notice of inquiry (NOI) on reforming Order No. 888 and a Notice of Proposed Rulemaking (NOPR) addressing standards for certification of an Electric Reliability Organization (ERO).

Cyndy Marlette, Principal Deputy General Counsel, reported on a number of Commission initiatives required under the Energy Policy Act of 2005, including (1) the ERO rulemaking; (2) convening regional joint boards to study security-constrained economic dispatch, noting the first meeting scheduled for the South and West regions on November 13, 2005; (3) exercising its authority to facilitate planning and expansion of transmission facilities to allow load-serving entities to satisfy native load obligations and secure long-term transmission rights for long-term power supply; (4) implementing rules related to jurisdiction over holding companies under the new PUHCA statute; (5) addressing its amended merger/corporate authority, which now includes authority over acquisitions of generating facilities and over holding company mergers and (6) NOPR on cogeneration rules. Ms. Marlette stressed the importance of the ERO rulemaking, a key issue of delegation of authority, and noted the deadline of February 2006 for issuance. She noted further that the Commission must address transmission rate incentives within the first year after enactment of the statute and issue a rule on long-term transmission rights; backstop authority on transmission; and comparable open access to be provided by non-regulated transmission utilities. Regarding the Commission's additional responsibilities under the new PUHCA statute, Ms. Marlette noted that a big concern is cross-subsidization and that the Commission will need to work with states to assure adequate oversight. She also encouraged state input on the Commission's review of demand side management and suggested contacting NARUC to get information.

Mr. Carl Monroe provided an update of Southwest Power Pool (SPP) activities:

- The EIS Market has completed the first round of testing with 67% completion. Software delivery for Phase II is expected by November 14. The Markets and Operations Policy Committee (MOPC) reviewed the status of participants at their October 12 meeting.
- FERC rejected the initial filing of tariff language for the Market and gave guidance. Market protocols are now being written in tariff language and due to be filed before the end of the year.
- The economic study is complete regarding transmission expansion. This was divided into the reliability and the economic aspects. A workshop is scheduled for November 10

- in Dallas.
- A SAS-70 Audit, Type 1 is underway.
- The Strategic Planning Committee is moving forward with an issue of the Strategic Plan, Integrated Resource Planning. Processes for this planning will be presented to the RSC. A workshop is planned for 2006.
- SPP responded to the Energy Policy Act via comments of the ISO/RTO Council concerning FERC ERO NOPR and expects the final order in mid-December. It is SPP's belief that reliability and economics are inseparable.

President Bode inquired about the recent refusal of transmission service for Redbud Energy. At this time FERC representatives Tony Ingram, John Rogers, and Cyndy Marlette removed themselves from the meeting. Discussion followed concerning the roles of the various market monitors and the recent change in how operational models calculate transmission availability. It was noted by Carl Monroe that the models previously calculated from control area to control area, and now the models focus on commonly dispatched generators and loads. David Fleischaker noted that there appears to be an inherent conflict between competitive bidding and service based on a first-come, first-served basis, and that this conflict should be considered. SPP will provide feedback to the RSC concerning competitive bidding.

Review and Approval of 2006-2007 RSC Budgets:

Mr. Les Dillahunty provided a report on the 2006-2007 RSC Budgets (RSC Budget - Attachment 2). Mr. Dillahunty stated that the RSC was considerably under budget for 2005. A Cost Benefit Study is shown to begin in 2006 and carried into 2007 for ancillary services if desired.

Secretary Parsley moved to approve the 2006-2007 RSC Budgets. Mike Proctor seconded the motion, which passed unopposed.

Business Meeting:

President Bode called on Mike Proctor for a report from the Large Generation Interconnection Task Force (LGIA Task Force Report – Attachment 3). Dr. Proctor reviewed the LGIA Task Force recommendation. The Cost Allocation Working Group (CAWG) supports this proposal. **Mike Proctor moved to approve the LGIA proposal and send it to SPP for approval. Secretary Parsley seconded the motion, which passed with Arkansas abstaining.**

Carl Monroe informed the RSC that the MOPC approved a recommendation from the Operation Reliability Working Group (ORWG) regarding Market implementation. Should the Market miss the May 1, 2006 target for going live, the Market will be delayed until October 1, 2006 to avoid any chance of interference with summer operations.

Les Dillahunty reported on possible action on the recent FERC decision on the Organization of MISO States confidential data and pending action of the SPP regarding confidential information (Confidential Data – Attachment 4). FERC representatives removed themselves from the meeting. Mr. Dillahunty emphasized that SPP needs the support of the RSC when filing the SPP Confidentiality Provisions in order to be successful. The draft language will be a part of the EIS filing package to be considered in the near future by the MOPC as a part of the next EIS filing package. President Bode and the RSC were in support and agreed that a conference call can be called if necessary to move quickly to file an intervention with comments in support.

Charles Yeung provided a report of the 2005 Energy Bill (Energy Policy Act 2005 Title II –

Attachment 5). Mr. Yeung stated that SPP's comments regarding the FERC Notice of Proposed Rulemaking for ERO were filed on October 7, 2005. SPP's comments included:

- Member support for combined RTO/RE going forward
- Combined RTO/RE is efficient and effective
- SPP reliability record
- Independence through recent organization changes to separate SPP compliance staff from operations staff.

The FERC final order for ERO is expected in mid-December 2005. Jim Eckelberger urged the group to stand tall as RTO/RE is the right process. The public wants reduced cost and putting these functions together is the less expensive method. The RSC offered a consensus of support.

Scheduling of Next Regular Meeting, Special Meetings or Events:

President Bode noted that the next regularly scheduled RSC meeting is in Dallas on January 30, 2006. It was also noted that there is a SPP Board meeting on December 6 in Dallas for organizational review purposes, and that the RSC could keep this date in mind if anything comes up that requires a RSC meeting before January.

With no further business, the meeting was adjourned.

Respectfully submitted,

Julie Parsley, Secretary



**Southwest Power Pool Regional State Committee
October 24, 2005
12:00 p.m. – 5:00 p.m. CST**

**Inn and Spa at Loretto
211 Old Santa Fe Trail
Santa Fe, NM**

DRAFT AGENDA

12:00 – 1:00

Lunch (provided)

The Burlington Northern and Santa Fe Railway – Transportation Status Report

ANNUAL MEETING

1:00 p.m.

- 1. CALL TO ORDER**
- 2. PRELIMINARY MATTERS**
 - a. Declaration of a Quorum**
 - b. Approval of July 27, 2005 minutes**
- 3. AMENDMENT OF BYLAWS (Attached)**
 - a. Modification of term limits**
 - b. Modification of offices and duties**
- 4. ELECTION OF OFFICERS**
- 5. UPDATES**
 - a. RSC Officers**
 - b. FERC**
 - c. SPP**
- 6. REVIEW AND APPROVAL OF 2006-2008 RSC BUDGETS (Attached)**

7. BUSINESS MEETING - ALL ITEMS SUBJECT TO DISCUSSION AND ACTION

- a. Report, discussion and possible action with respect to ongoing Cost Allocation Working Group (CAWG) matters: Large Generator Interconnection Task Force proposal; Base Plan and Aggregate Study status; Economic Upgrades and Attachment Z**
- b. Energy Imbalance Service (EIS) implementation schedule and status report**
- c. Report and discussion and possible action on recent FERC decisions on the Organization of MISO States Confidential Data and Pending Action of SPP regarding Confidential Information**
- d. Report and discussion of 2005 Energy Bill**
- e. Other**

8. SCHEDULING OF NEXT REGULAR MEETING

9. ADJOURN

Notice of Meeting of the Southwest Power Pool Regional State Committee

The Southwest Power Pool (SPP) Regional State Committee (RSC) will hold a public meeting at 1:00 p.m. CST on October 24, 2005. The business meeting will involve discussion and possible action as set forth in the attached Agenda. Members who are not able to attend in person should submit a proxy in accordance with the Bylaws.

Persons planning to attend the meeting by teleconference should register online at least one day prior to the meeting at <http://www.spp.org> in order to obtain the telephone number for conference bridge access. The telephone number will be provided at close of business the day before the meeting.



**Southwest Power Pool
REGIONAL STATE COMMITTEE
Austin, Texas
July 27, 2005**

• M I N U T E S •

Administrative Items:

Members in attendance or represented by proxy were:

- Denise Bode, Oklahoma Corporation Commission (OCC)
- Sandra Hochstetter, Arkansas Public Service Commission (APSC)
- Brian Moline, Kansas Corporation Commission (KCC)
- Julie Parsley, Texas Public Utility Commission (TPUC)
- Steve Gaw, Missouri Public Service Commission (MPSC)
- David King, New Mexico Public Regulation Commission (NMPRC)

Others in attendance:

- Ben R. Lujan, Chairman, New Mexico Public Regulation Commission
- Richard House, Arkansas Public Service Commission
- Larry Holloway, Kansas Corporation Commission
- Tom DeBaun, Kansas Corporation Commission
- Mike Peters, Kansas Corporation Commission
- Mike Proctor, Missouri Public Service Commission
- Ryan Kind, Missouri Office of the Public Counsel
- Joyce Davidson, Oklahoma Corporation Commission
- Adrienne Brandt, Texas Public Utility Commission
- Bridget Headrick, Texas Public Utility Commission
- Jim Eckelberger, SPP Director
- Nick Brown, SPP
- Les Dillahunty, SPP
- Stacy Duckett, SPP
- John Mills, SPP
- Cheryl Robertson, SPP
- Tony Ingram, Federal Energy Regulatory Commission
- Dennis Reed, Westar
- Don Taylor, Westar
- Bary Warren, Empire District
- Steve Owens, Entergy
- John Gunesch, OG+E
- Bill Wylie, OG+E
- David Kays, OG+E
- Mel Perkins, OG+E
- Walter Wolf, Stone, Pigman, Walther, Wittman, LLC
- Collin Wolf, Boston Pacific
- Tom Littleton, OMPA
- Michael Desselle, AEP

Richard Ross, AEP
Robert Pennybaker, AEP
Robert Tumilty, AEP
David Brian, East Texas Cooperatives
Tracey Hannon, Southwestern Power Administration
Raksha Krishna, EEI
Walt Shumate, EEI
Kurtz Stowers, Calpine

President Bode called the meeting to order at 1:00 PM CDT. Secretary Parsley called roll and a quorum was declared. President Bode asked for adoption of the June 22, 2005 meeting minutes. **Secretary Parsley moved to adopt the June 22, 2005 minutes. Vice President Hochstetter seconded the motion. Hearing no objection, the minutes were adopted.** President Bode then asked for adoption of the July 11, 2005 teleconference minutes. **Secretary Parsley moved to adopt the July 11, 2005 minutes. Vice President Hochstetter seconded the motion. Hearing no objection, the minutes were adopted.**

Updates:

Les Dillahunty provided a financial report (RSC Financial Report – Attachment 1). Mr. Dillahunty reviewed the RSC budget performance and asked for any questions.

Vice President Hochstetter reported that an independent CPA firm had performed a 2004 RSC audit of SPP's records. The results were good and showed good accounting processes. **Secretary Parsley moved to approve the 2004 RSC audit. Vice President Hochstetter seconded the motion. Hearing no objection, the audit was approved.**

Tony Ingram reported that Commissioner Joseph Kelliher has taken over the duties of Chairman of the Federal Energy Regulatory Commission. Mr. Ingram stated that the Commission terminated the Single Market Design rulemaking. Future FERC meetings will be the third Thursday of every month.

Mr. Nick Brown provided an update of Southwest Power Pool (SPP) activities. The SPP Board of Directors met in Tulsa July 26 and addressed the following items:

- A Strategic Plan for 2005 was approved unanimously for a 1-3 year period.
- The SPP Board of Directors approved the Markets and Operations Policy Committee's (MOPC) recommendation to extend the EIS Market implementation to May 1, 2006.
- The SPP officers were granted the authority to execute an agreement pursuant to a 205 filing to form an Entergy ICT. The agreement is not signed to date pending Entergy's state authorizations.
- In the past, there has not been a transmission definition on a regional basis and there is a need for consistency. The biggest controversy is that of inclusion of radial lines.

Regarding the transmission definition, the MOPC recommended that the transmission definition should be: All non-radial power lines, substations, and associated facilities, operated at 60 kV or above, plus all radial lines and associated facilities operated at or above 60 kV that serve two or more eligible customers not affiliates of each other. A second definition was suggested and

amended to read: All non-radial power lines, substations, and associated facilities, operated at 60 kV or above, plus all radial lines and associated facilities operated at or above 60 kV. After considerable debate and straw votes from the Members Committee, the SPP Board of Directors passed the following transmission definition: All existing non-radial power lines, substations, and associated facilities, operated at 60 kV or above, plus all radial lines and associated facilities operated at or above 60 kV that serve two or more eligible customers not affiliates of each other. All facilities operated at 60 kV and above constructed in the future would be included.

Mr. Brown asked for comments from the RSC who earlier declared support for the definition recommend by the MOPC. Following discussion, it was requested by President Bode that cost impact of the new definition be put in writing and tested in the Oklahoma companies. Vice President Hochstetter requested that in going forward if the RSC was to be useful there should be time to evaluate critical decisions to allow the RSC to take a position.

Business Meeting:

President Bode called on Mike Proctor for a report from the Large Generation Interconnection Task Force (LGIA Task Force Report – Attachment 2). Dr. Proctor reviewed the LGIA Task Forces' work to date. The task force has proposed the region-wide postage stamp rate option as the best alternative for cost allocation. Dr. Proctor pointed out the pros and cons of the postage stamp proposal. Commissioner Steve Gaw suggested that the Cost Allocation Working Group (CAWG) work with the LGIA Task Force to finalize this proposal and come back to the RSC.

Mr. Les Dillahunty provided information regarding the assessment of impact upon the Cost Benefit Study if a different natural gas forecast was utilized (Cost Benefit Study Report – Attachment 3). Mr. Ralph Luciani (Charles Rivers Associates) reported that to run a new study would cost approximately \$50,000 and take several weeks to perform. The RSC made no specific suggestion on any follow-up action concerning the CRA analysis encouraging SPP to "do the right thing." Mr. Dillahunty also reported that 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. The impact of the corrected data is included in the attached report. These corrections will be filed with the appropriate state jurisdictions and made available to all stakeholders.

In the matter of SPP data confidentiality, it was decided that this would be handled by teleconference in the near future at a date to be announced.

Scheduling of Next Regular Meeting, Special Meetings or Events:

President Bode noted that the next regular scheduled RSC meeting is in Santa Fe, New Mexico on October 24. The SPP Board of Directors will be meeting on October 25, also in Santa Fe.

With no further business, the meeting was adjourned.

Respectfully submitted,

Julie Parsley, Secretary

**Southwest Power Pool
REGIONAL STATE COMMITTEE
BYLAWS**

Proposed: October 24, 2005

Deleted: August 9, 2004

Adopted: _____

Deleted: August 18, 2004

ARTICLE I

1. **NAME.** The organization shall be known as the Southwest Power Pool Regional State Committee ("SPP RSC"). The principal office of the SPP RSC shall be at such location, within the United States, as the SPP RSC Board of Directors shall from time to time establish. The SPP RSC may also maintain such branch offices and places of business as the SPP RSC Board of Directors may deem necessary or appropriate in the conduct of its business.
2. **PURPOSE.** The SPP RSC shall provide collective state regulatory agency input and participation in the Southwest Power Pool, Inc. ("SPP") and SPP's Board of Directors, committees, working groups and task forces, including any independent transmission system operator ("ISO") or regional transmission organization ("RTO") formed by the SPP. Such input and participation shall include but not be limited to: whether and to what extent participant funding will be used for transmission enhancements; whether license plate or postage stamp rates will be used for the regional access charge; determination of Financial Transmission Rights ("FTR") allocations where a locational price methodology is used; determination of the transition mechanism to be used to assure that existing firm customers receive FTRs equivalent to the customers' existing firm rights; determination of the approach for resource adequacy across the entire region; determination of whether transmission upgrades for remote resources will be included in the regional transmission planning process; and determination of the role of transmission owners in proposing transmission upgrades in the regional planning process.
3. Nothing in the formation or operation of the SPP RSC as a FERC recognized regional state committee is in any way intended to diminish existing state regulatory jurisdiction and authority. Each state regulatory agency expressly reserves the right to exercise all lawful means available to protect its existing jurisdiction and authority.

ARTICLE II – MEMBERSHIP

1. **MEMBERSHIP.** Membership shall be open to all official governmental entities that:
 - (a) Regulate the retail electricity or distribution rates of transmission-owning members or transmission-dependent utility members of the SPP; or
 - (b) Are the primary regulatory agency responsible for siting electric transmission facilities in states where there are transmission-owning members of the SPP or independent transmission companies that own or operate transmission facilities associated with the SPP.
2. **ASSOCIATE MEMBERSHIP.** Associate membership shall be open to all official governmental agencies that:

- (a) Are involved with energy planning, and or environmental issues that relate to electric transmission; or
- (b) Are involved with consumer advocacy issues that relate to electric transmission; or
- (c) To all other entities that are approved by the SPP RSC Board of Directors for associate member status.

ARTICLE III – ANNUAL MEETING

The Annual Meeting of the SPP RSC (Annual Meeting) shall be held each year in conjunction with the fall meeting of the SPP Board of Directors, and/or at such time and place as may be determined by the SPP RSC Board of Directors. Notice of the time, place, and purpose of the meeting, shall be provided by mail or electronic means to each Member and Associate Member of the SPP RSC not less than fifteen (15) calendar days prior to the meeting, except that the agenda may be amended up to three (3) calendar days prior to the meeting in accordance with Article XI. At the Annual Meeting, all member regulatory agencies may have a seat and voice. The business of the Annual Meeting will be conducted by vote of the SPP RSC Board of Directors as provided for in these Bylaws.

ARTICLE IV – BOARD OF DIRECTORS

1. **POWERS, RESPONSIBILITIES AND ACCOUNTABILITIES.** The corporate business and affairs of the SPP RSC shall be managed by the SPP RSC Board of Directors, except as may be otherwise provided for in these Bylaws and/or the articles of incorporation (Articles of Incorporation) adopted by the SPP RSC Board of Directors.

Deleted:

2. **COMPOSITION.** Each member regulatory agency, as defined in Article II.1 of these Bylaws, may designate one Commissioner to serve on the SPP RSC Board of Directors. In the case of member state regulatory agencies organized without commissioners, an official of similar level may be designated. When any such person ceases to be the duly authorized representative of that Member, he or she shall be replaced on the SPP RSC Board of Directors by another representative from his or her state regulatory agency. A member state regulatory agency may replace its Director by notifying the Secretary of the SPP RSC by mail, facsimile transmission and/or electronic mail at least one business day in advance of any meeting of the SPP RSC Board of Directors.

3. **RESPONSIBILITIES.** The SPP RSC Board of Directors shall elect the officers of the SPP RSC and determine the general policies and direction of the SPP RSC. The SPP RSC Board of Directors may amend the Articles of Incorporation and Bylaws, take all other action requiring membership vote, and conduct other business as delineated in Article IX.

4. **REGULAR MEETINGS.** Regular meetings of the SPP RSC Board of Directors shall be held at such time and place as may be determined by the SPP RSC Board of Directors, except that the SPP RSC Board of Directors shall meet no less than one time

each calendar year, in addition to the Annual Meeting. Notice of the time, place and purpose of the meeting(s) shall be provided by mail, facsimile transmission and/or electronic means to each Member and Associate Member of the SPP RSC not less than seven (7) calendar days prior to the meeting, except that the agenda may be amended up to three (3) calendar days prior to the meeting in accordance with Article XI. Public notice shall also be given at the same time that it is given to each Member and Associate Member of the SPP RSC in accordance with Article XI.

5. SPECIAL MEETINGS. The President may call a special meeting(s) of the SPP RSC Board of Directors. Notice of the time, place and purpose of the meeting(s) shall be provided by mail, facsimile transmission and/or electronic means to each Member and Associate Member of the SPP RSC not less than three (3) calendar days prior to the meeting(s).

6. QUORUM If a Director from each of a majority of the member state regulatory authorities is present (either in person, by authorized telephonic or electronic means, or by designated proxy), a quorum exists for the transaction of business at any meeting of the SPP RSC Board of Directors, but if less than such majority is present at a meeting, a majority of the members that are present may adjourn the meeting without further notice. The SPP RSC Directors present at a properly noticed meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum. A member state regulatory agency may allow a proxy from the same agency to participate as a substitute for its designated SPP RSC Director at a meeting(s) of the SPP RSC Board of Directors by notifying the Secretary of the SPP RSC as provided for in these Bylaws.

7. PROXY – A request of a member state regulatory agency for recognition by the SPP RSC Board of Directors of a proxy to participate in a meeting of the SPP RSC Board of Directors must be received by the Secretary of the SPP RSC at least one business day in advance of the meeting at which the proxy is to be exercised. Where prior written notice is not possible, the designating Director shall submit written confirmation of this proxy no later than ten (10) calendar days after the applicable Board meeting takes place. The person who is identified as exercising the proxy cannot be the person submitting the request for recognition of the proxy. Notices of proxies must be sent by mail, facsimile transmission and/or electronic mail to the Secretary of the SPP RSC and identify the date of the meeting of the SPP RSC Board of Directors for which the proxy is authorized and identify by name, and position at the member state regulatory agency, the person who is authorized to exercise the proxy. The Secretary of the SPP RSC must receive a new request for recognition of a proxy for each meeting of the SPP RSC Board of Directors at which the proxy will be sought to be recognized. The SPP RSC Board of Directors will not recognize, for more than one meeting at a time, a proxy request by a member state regulatory agency. The request for recognition of a proxy must not identify more than one person as being authorized to exercise the proxy.

8. VOTING PROCEDURES. Each SPP RSC Director present (either in person, by authorized telephonic or electronic means, or by representation of the member state regulatory agency by a properly designated proxy) shall be entitled to one equally weighted vote. However, if a state has more than one state regulatory agency that is a Member of the SPP RSC, voting rights shall be divided equally among the SPP RSC

Directors from that state present and voting (equating to one total vote per state). Elections shall be by ballot in contested elections and may be by voice or other means in uncontested elections. A plurality of votes cast shall elect. Changes in the Bylaws shall require a vote consistent with Article XII of this document. All other matters shall be determined by a majority of the SPP RSC Directors present and voting, unless otherwise provided by the laws of the state where the SPP RSC is incorporated or these Bylaws.

9. POSITIONS ON POLICY ISSUES. The SPP RSC Board of Directors will give direction to formation of issue statements, which will then be referred to member state regulatory agencies. A position approved by a majority of the SPP RSC Board of Directors may be issued as the SPP RSC's position with identification of the participating and non-participating member state regulatory agencies. Individual member state regulatory agencies retain all rights to object to, support, or otherwise comment on, issue statements of the SPP RSC, including the attachment of a minority report or dissenting opinion, provided it is submitted in a timely manner. The SPP RSC Board of Directors may authorize intervention in proceedings before federal regulatory agencies and in related judicial proceedings to express the SPP RSC's positions, and may retain legal counsel to represent the SPP RSC in such proceedings. Consistent with Article I, § 3 above, each individual state regulatory agency shall also retain all rights to intervene in and/or comment on such federal regulatory agency proceedings and/or related judicial proceedings.

ARTICLE V - OFFICERS

1. NUMBER AND TITLE. The officers of the SPP RSC shall be the President, Vice-President, Secretary, and Treasurer.

2. ELECTION, TERM, VACANCIES. The President, Vice-president, Secretary, and Treasurer shall be elected by the SPP RSC Board of Directors for a term of one year, or until their successors are elected. ~~Officers shall be elected at the Annual Meeting to take office on the first day of January following the Annual Meeting at which elections are held. The SPP RSC Board of Directors may fill a vacancy among the officers other than the President to serve until the next scheduled election. In the case of a permanent vacancy in the office of the President, the Vice-President will succeed until the next scheduled election. The terms of the officers elected in 2004 shall be deemed partial terms. In the event of a vacancy or temporary inability to serve, the duties of the Secretary or Treasurer may be fulfilled by a designee of the SPP RSC Board of Directors. [Alternatively, modify the language to combine the offices of the Secretary and Treasurer.]~~

Deleted: , and shall not consecutively serve for more than one term in any one office

Deleted: Partial terms are not counted as one term of office.

3. GEOGRAPHIC BALANCE. The officers elected shall be SPP RSC Directors from different states.

4. DUTIES. The duties of the officers shall be as follows:

(a) The PRESIDENT shall be the principal officer of the SPP RSC and shall preside at the Annual Meeting and all meetings of the SPP RSC Board of Directors, shall be responsible for seeing that the lines of direction given by the SPP RSC Board of

Directors are carried into effect – including the representation and presentation of all SPP RSC majority positions and minority reports and dissenting opinions of the member state regulatory authorities, and shall have such other powers and perform such other duties as may be assigned by the SPP RSC Board of Directors; including but not limited to: serving as the SPP RSC's non-voting representative at the meetings of the SPP's Board of Directors, performing or delegating presentations/speeches on behalf of the SPP RSC, designating member state regulatory agency staff members proposed by the state regulatory agency to carry out daily functions and operations of the SPP RSC, assigning member state regulatory agency staff members proposed by the state regulatory agency to committees and work-groups created by the SPP RSC and requesting technical support from SPP as necessary. The President (or other officer serving as the RSC representative at meetings of the SPP Board of Directors) shall also be responsible for requesting recusal of a Director where a conflict of interest may arise and for clearly stating on all matters whether he/she is representing the position of the SPP RSC or solely his/her member state regulatory agency.

Deleted: RESIDENT

(b) In the temporary absence or disability of the President, the VICE-PRESIDENT shall preside at meetings of the SPP RSC Board of Directors and have such other powers and perform such other duties as performed by the President. The Vice-President shall also serve as the SPP RSC's non-voting representative at the meetings of the SPP's Board of Directors. He or she shall have such other powers and perform such other duties as performed by the President or as may be assigned by the SPP RSC Board of Directors.

(c) The SECRETARY shall be responsible for keeping a roll of the Members and seeing that notices of all meetings of the SPP RSC Board of Directors are issued and shall see that minutes of such meetings are kept. The Secretary shall be responsible for the custody of corporate books, records and files, shall exercise the powers and perform such other duties usually incident to the office of Secretary, and shall exercise such other powers and perform such other duties as may be assigned by the President or the SPP RSC Board of Directors.

(d) The TREASURER shall be responsible for monitoring the receipt and custody of all monies of the SPP RSC and for monitoring the disbursement thereof as authorized, for assuring that accurate accounts of monies received and disbursed are kept, for execution of contracts or other instruments authorized by the SPP RSC Board of Directors, and for overseeing the preparation and issuance of financial statements and reports. The Treasurer shall give a report of the SPP RSC's finances at the Annual Meeting. The Treasurer shall be an ex officio member of the finance committee, if such a committee shall be established by the SPP RSC Board of Directors, shall exercise the powers and perform such other duties usually incident to the office of Treasurer, and shall perform such other duties as may be assigned by the President or SPP RSC Board of Directors.

5. REMOVAL. An officer of the SPP RSC may be removed with or without cause by written vote of two-thirds of the total membership of the SPP RSC Board of Directors.

ARTICLE VI – MEMBER STATE REGULATORY AGENCY STAFF MEMBER PARTICIPATION

Member state regulatory agency staff members shall participate at the discretion of their respective member state regulatory agency, including but not limited to: attendance at SPP RSC and SPP Board of Directors meetings in support of or in lieu of member state regulatory agency commissioners, attendance and active participation in assigned SPP committees, working groups and task forces (including providing summaries of meetings and reporting to the SPP RSC members and associate members), active representation of the majority positions and minority reports or dissenting opinions of the SPP RSC member state regulatory authorities, and attending and actively participating in assigned SPP RSC committees and work-groups created by the SPP RSC Board of Directors (including providing summaries of meetings and reporting to the SPP RSC members and associate members). Member state regulatory agency staff members must clearly indicate whether they are representing the SPP RSC or solely their member state regulatory agency.

ARTICLE VII - COMMITTEES

1. ESTABLISHED. The SPP RSC Board of Directors may establish SPP RSC committees and work-groups as it deems necessary and provide for their governance.
2. COMPOSITION AND APPOINTMENT. The President shall appoint members of the SPP RSC committees. Unless otherwise provided by the SPP RSC Board of Directors, a committee may elect its chair. Members and Associate Members may participate in the work of committees and work-groups that relate to matters within their jurisdiction.

ARTICLE VIII – MEMBERS AND ASSOCIATE MEMBERS NOT BOUND

No vote of, or resolution passed by, the SPP RSC Board of Directors has any binding effect upon any member state regulatory agency, or any associate member, in the exercise of that entity's powers.

ARTICLE IX - FISCAL RESPONSIBILITIES OF THE SPP RSC BOARD OF DIRECTORS

1. FISCAL YEAR. The SPP RSC Board of Directors shall establish the fiscal year of the SPP RSC.
2. FUNDING. Any funds shall be accepted or collected only as authorized by the SPP RSC Board of Directors.
3. DEPOSITORIES. All funds of the SPP RSC shall be deposited to the credit of the SPP RSC in fully insured accounts.
4. APPROVED SIGNATURES. Approvals for signatures necessary on contracts, checks, and orders for the payment, receipt, or deposit of money, and access to securities of the SPP RSC shall be provided by resolution of the SPP RSC Board of Directors. In all cases, two signatures shall be required and shall consist of either the

SPP RSC President or Vice-President and one other officer and/or the Executive Director.

5. BONDING. All persons having access to or major responsibility for the handling of monies and securities of the SPP RSC shall be bonded as provided by resolution of the SPP RSC Board of Directors.

6. INDEMNIFICATION AND INSURANCE. Indemnification and Directors and Officers insurance shall be provided by resolution of the SPP RSC Board of Directors in accordance with the Articles of Incorporation and the laws of the state where the SPP RSC is incorporated.

7. BUDGET. The annual budget of estimated income and expenditures shall be prepared for the fiscal year and approved by the SPP RSC Board of Directors in conjunction with the Annual Meeting. No expenses shall be incurred in excess of approved budget levels without prior approval of the SPP RSC Board of Directors.

8. CONTRACTS AND DEBTS. Contracts may be entered into or debts incurred only as directed by resolution of the SPP RSC Board of Directors.

9. AUDITS. A certified public accountant or other independent public accountant shall be retained by the SPP RSC Board of Directors to make an annual examination of the financial accounts of the SPP RSC. A report of this examination shall be submitted to the SPP RSC Board of Directors and made available to the general membership of the SPP RSC and the public.

10. LEGAL COUNSEL. Independent legal counsel may, if deemed necessary and appropriate, be retained by the SPP RSC Board of Directors to: (a) insure compliance with federal and state requirements; (b) review and advise on any and all legal instruments the SPP RSC Board of Directors executes, such as leases, contracts, property purchases, or sales; (c) for interventions before federal regulatory agencies and related judicial proceedings; or (d) for any other matters as determined necessary by the SPP RSC Board of Directors – including those matters that are deemed to be administrative in nature.

11. PROPERTY. Title to all property shall be held in the name of the SPP RSC, unless otherwise approved by the SPP RSC Board of Directors; or otherwise required by law.

12. INVESTMENT. The Treasurer shall invest the funds of the SPP RSC in accordance with the direction of the SPP RSC Board of Directors or any committee of the SPP RSC Board of Directors appointed for such purpose.

ARTICLE X - PARLIAMENTARY AUTHORITY

All meetings shall be conducted in a manner that will allow the fullest possible participation by all members. In the event of a dispute, Robert's Rules of Order, newly revised, shall be the parliamentary authority governing the meetings of the SPP RSC Board of Directors and all committees, subject to the laws of the state where the SPP

RSC is incorporated, the Articles of Incorporation, these Bylaws, and any special rules of order adopted by the SPP RSC.

ARTICLE XI - OPEN MEETINGS

The Annual Meeting and all meetings of the SPP RSC Board of Directors and subordinate committees and work-groups shall be open meetings, except that discussion of commercially sensitive, legal, and personnel issues may be conducted in closed session. For the purposes of these Bylaws, open meeting means:

(a) Notice of the time, place, and purpose of the meeting, as provided in Articles III and IV, shall be made available to the public, through printed or electronic means, provided however, that the agenda for any annual, regular, or special meeting may be amended up to three (3) calendar days prior to the meeting date, as long as the amendment does not involve a change to the Bylaws or otherwise affect the substantive rights of Members.

(b) Minutes of the SPP RSC Board of Directors and subordinate committee meetings shall be made available to the public, through printed or electronic means, as soon as practical.

(c) The public may attend all open meetings of the SPP RSC.

(d) The SPP RSC Board of Directors may provide for participation by telephone or electronic means.

ARTICLE XII- AMENDMENTS

Except as otherwise stated herein, these Bylaws may be amended by a two-thirds vote of a quorum at the Annual Meeting and any regular meeting of the SPP RSC Board of Directors, provided that the proposed amendment(s) must have been included in the notice of the meeting in which such changes were to be considered.

Exceptions to two-thirds voting requirement: Any amendment(s) to Article I, § 3; Article IV, § 9 or Article VIII shall require the unanimous vote of the entire Board of Directors.

ARTICLE XIII- EXECUTIVE DIRECTOR

1. EMPLOYMENT. The SPP RSC Board of Directors may select an Executive Director. Where an Executive Director is hired, the SPP RSC Board of Directors shall determine the terms and conditions of the employment of the Executive Director. Thereafter, the Executive Director's employment may be terminated by a majority of all serving SPP RSC Directors.

2. RESPONSIBILITIES. If deemed necessary and appropriate, where an Executive Director is hired, the Executive Director shall be the chief executive of the SPP RSC under the supervision and day-to-day policy guidance of the President of the SPP RSC Board of Directors. The Executive Director shall be responsible for providing advice and assistance to the SPP RSC Board of Directors, the President and other officers, and

any subordinate committees and work-groups; and shall be responsible for administering the operations of the SPP RSC. The Executive Director shall have such other powers and perform such other duties as may be provided by the SPP RSC Board of Directors. The Executive Director shall be an ex officio non-voting member of the SPP RSC Board of Directors.

**SPP Regional State Committee
Estimated FY Budget 2006**

**SPP Regional State Committee
Estimated FY Budget 2007**

Expense Category

Travel		
RSC Meetings Day Before SPP BOD	\$ 56,040	
Strategic Planning Committee	23,600	
Transmission Working Group	3,200	
Markets and Operations Policy Committee	3,200	
Regional Tariff Working Group	25,050	
Market Working Group	9,480	
Cost Allocation Working Group	12,135	
Trans. Summits/Misc. Meetings	23,600	
Total Travel	156,305	3% Increase \$161,000
Administrative		
Printing	500	500
Banking Charges		
Annual Audit	2,000	2,000
Postage/Freight	500	500
Insurance, liability (6 board members)		
Workers Comp	-	-
Bond for Treasurer (\$200,000)	100	100
Meeting transcript/minutes	1,500	1,500
Legal	50,000	50,000
Cost/Benefit Study-Ancillary Services	200,000	600,000
Total Administrative	254,600	654,600
Meetings		
RSC Board Meetings (45 attendees @4 meetings) x 2600	10,400	
RSC Working Groups (25 attendees @ 15 meetings) x 1500	22,500	
RSC Weekly Teleconference (15 events) @ 31	4,725	
Total Meetings	37,625	3% Increase 38,750
Total Expenses \$	448,530	\$854,350

Travel Cost Guidelines:

Meals - \$45/day
 Airfare - \$500/roundtrip w/in SPP footprint
 Rental Car \$65/day
 Lodging - \$130/night
 Parking - \$10/day
 Mileage - \$.405/mile
 Taxi - \$50 Roundtrip

Meeting Cost Guidelines:

Lunch - \$25/person
 Continental Breakfast - \$10/person
 Afternoon Snack - \$150 total
 Beverages - \$12/person
 Meeting Room (<20 people) - \$250
 Meeting Room (>20 people) - \$650
 Supplies (<20 people) - \$350

Supplies (>20 people) - \$700
 A/V Equipment
 Conference Phones

Internet Access

Teleconference: 25 ports, 2 hr meeting

RSC WORKSHEET

	RSC/BOD- Days/Units/ Miles		SPC- Days/Unit s/Miles		RTWG/Days/ Units/Miles		TWG/Days/Units/ Miles		MOPC/Days/ Units/Miles		MWG/Days/ Units/Miles		CAWG ¹		Trans. Summits Misc. Days/Units /Miles		TOTAL								
	No.	\$	No.	\$	No.	\$	No.	\$	No.	\$	No.	\$	No.	\$	No.	\$									
RSC Members	4		2																						
RSC Staff	5		5		5		1		1		2		5												
Meals @ \$45/Day	9	3	1215	7	2	630	5	2	450	1	2	90	1	2	90	2	2	360	5	2	450	7	2	630	
Airfare @ 500/roundtrip	9	1	4500	7	1	3500	5	1	2500	1	1	500	1		500	2		1000	5	1	2500	7	1	3500	
Rental Car @\$65/day	2	3	390	2	2	260	1	2	130													2	2	260	
Lodging @ \$130/night	9	2	2340	7	1	910	5	1	650	1	1	130	1	1	130	2	2	130	5	1	650	7	1	910	
Parking @ \$10/day	9	3	270	7	2	140	5	2	100	1	2	20	1	2	20	2	2	40	5	2	100	7	2	140	
Mileage @ .405/mile	9	20	75	7	20	60	5	20	45	1	20	10	1	20	10	2	20	40	5	20	45	7	20	60	
Taxi @ \$50/roundtrip	10		550	8		400	6		300	1	1	50	1		50	1		50	6		300	8		400	
Per Meeting Cost			9340			5900			4175			800			800			1580			4045			5900	
Meeting/Year			6			4			6			4			4			6			3			4	
Annual Cost			56,040			23,600			25,050			3200			3200			9480			12,135			23,600	156305

¹ Not held in conjunction with RTWG activity

LGIA Task Force Recommendation on the Allocation of Generation Interconnection Costs

Status Report to the SPP RSC

July 27, 2005

Austin, TX

Background

Current SPP Tariff Provisions for Large Generation Interconnection Facilities

- FERC Order 2003 A, B, C
 - Requires the generator to **front the money** required to cover the cost of generation interconnections.
 - Policy requires the Transmission Owner to refund to the generator any money fronted for transmission **network upgrades** at the time that the generator begins injecting power into the grid.
 - Facilities that are **only used by the generator** are not considered to be a part of the transmission network and are not subject to the refund policy – the generator can “own” these facilities.

Example of Upgrades Required

- Suppose the following interconnection facilities and upgrades are required:
 - 1) Generator step-up transformer to get voltage to the transmission level.
 - 2) Radial line running from the generator step-up transformer to the transmission system.
 - 3) Substation (3-breaker ring bus) required to connect the power from the generator to the transmission system.
 - 4) Upgrades to the transmission system to deliver the additional power from the generator.

These upgrades can vary depending on whether the generator wants to connect as:

 - Energy Resource - delivers to SPP market
 - Network Resource - delivers to specific load.

3

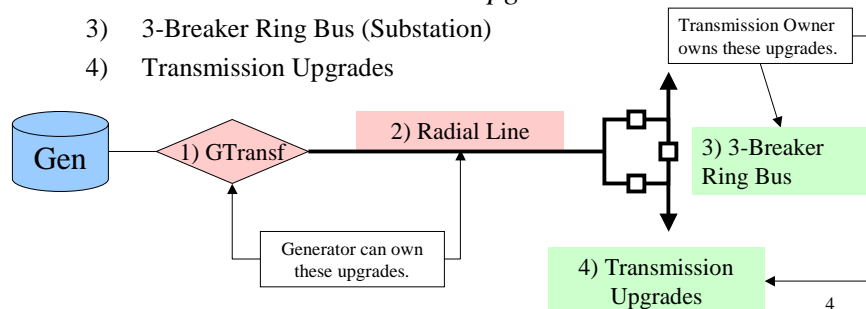
Facilities Included vs. Excluded from Refund Policy

Excluded from Refund – Directly Assigned Facilities

- 1) Generator step-up transformer (GTransf)
- 2) Radial Line to Transmission Network

Included for Refund – Network Upgrade Facilities

- 3) 3-Breaker Ring Bus (Substation)
- 4) Transmission Upgrades

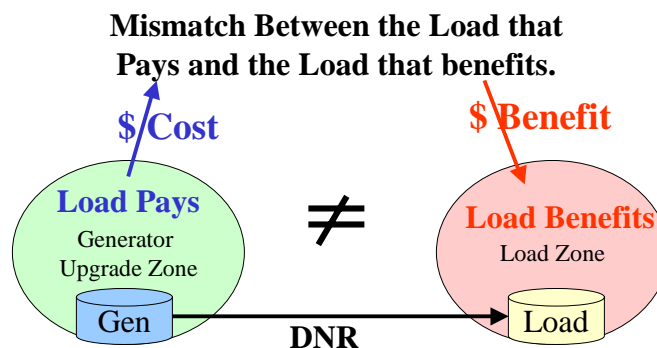


Under Current SPP Interconnection Tariff, WHO REFUNDS?

- The Transmission Owner who receives the up front money from the Generator is responsible to refund money received for network upgrades.
 - These payments are typically spread out over a multi-year time period (**cannot exceed 20 yrs**).
- In order to recover the costs, the Transmission Owner will include these costs to be recovered in its zonal rate.

5

BUT, This Can Be A Problem!



6

Currently is a *Real Issue!*

- Midwest Energy
 - a small (cooperative) transmission owner in Kansas
 - whose transmission zone includes multiple sites for the location of wind power.
- Under the current SPP tariff,
 - Midwest Energy must provide the interconnections for developing wind power; (generator fronts the money)
 - Must refund costs for both substation and transmission upgrades within its zone.
- **But**, Midwest Energy's Load is not the beneficiary of the wind power being produced.

7

Three-Part Solution: Energy Resource Interconnection Service (ERIS)

1. Limit the generation interconnection costs to “attachment facilities”
2. Address any capacity upgrades required for the capacity of generator to be put into the transmission system as either Requested upgrades or as a Transmission Service Request.
3. Allocate the cost of “attachment facilities” to a region-wide (postage stamp) charge.

8

Part 1: Limit ERIS to Attachment Facilities

- Energy Resource Interconnection Service (ERIS) allows the Interconnection Customer to attach to the Transmission System and use the available Firm and Non-Firm capacity of the *existing* Transmission System.
 - Attachment Facilities will typically only include 3-breaker ring bus (~ \$2.5 M)
 - Attachment Facilities exclude any costs associated with upgrades to existing transmission capacity.

Part 2: Capacity upgrades can be requested either at the same time as ERIS, or after ERIS is requested.

- Transmission Request: There is a designated load
 - Network Service: New Designated Network Resource
 - Eligible for base funding (1/3 Postage Stamp and 2/3 Inc MW-mile)
 - PTP Service: From the Generator to the load
 - Load in SPP – eligible for base funding
 - Load outside SPP – eligible for Attachment Z credits
- Requested Upgrade: There is not a designated load.
 - Energy Resource requesting capacity upgrades
 - A form of an economic upgrade – participant funded
 - Funder is eligible for Attachment Z credits

Part 3: Allocate Costs to Region-Wide Postage Stamp Rate

- Transmission Owner is allocated revenues collected by SPP from the region-wide postage stamp rate.
- These revenues offset the Transmission Owner's revenue requirements associated with the attachment facilities.

Evaluation Summary

- Moving the cost allocation away from the zone in which the the generator attaches to the transmission system is a positive step in the right direction.
- Separation of attachment facilities from capacity upgrades to the transmission system is a positive step in the right direction.
- The implications for the cost allocation are as follows:
 - For new DNRs, this proposal moves the percent going to a region-wide rate from 33.3% to something in the range of 35.6% at the low end and 41.7% at the high end (see Appendix on Evaluation Details @ p. A-2).
This is not an insignificant change.
 - For PTP service, the new revenues from that form of service will likely more than offset the costs – few “downsides” (see Appendix on Evaluation Details @ p. A-3).
 - Energy Only service is not a likely alternative – discount its importance for now (see Appendix on Evaluation Details @ p. A-4).

Discussion

- The proposal by the LGIA Task Force would increase the percentage of costs for new DNRs to be included in the postage stamp rate. **Is this a problem?**
 - If not, the LGIA Task Force will begin to develop tariff language to submit to the RTWG.
 - If so, the RSC can recommend that the CAWG work with the LGIA Task Force to further consider alternatives such as:
 - Roll attachment facilities costs into base funding
 - Use PTP revenues to pay back TO
 - Allocate cost to Designated Load

The LGIA Task Force has evaluated other alternatives and can speak to why it selected the region-wide postage stamp rate option.

Appendix

Evaluation Details for the LGIA Task Force Proposal

New DNR Examples: Relative Size of Increase in Postage Stamp Component

1. Low End: Large Coal-Fired Plant @ 600 MW
 - Assume that the capacity upgrades are at the \$180,000/MW limit.
 - \Rightarrow \$108 M upgrade with \$36 M going into the postage stamp rate.
 - This proposal would increase that amount to ~\$38.5 M or 35.6% of the total cost (i.e., $\$38.5/\$108 = 35.6\%$).
2. High End: Small Gas-Fired CT @ 50 MW
 - Assume that the capacity upgrades are below the limit at \$60,000/MW.
 - \Rightarrow \$30 M upgrade with \$10 M going into the postage stamp rate.
 - This proposal would increase that amount to ~\$12.5 M or 41.7% of the total cost (i.e., $\$12/\$30 = 41.7\%$).

A-2

Overall Rate Impact from PTP Service

- Typical PTP Rate @ \$1/kW/Month
 - 100 MW reservation \Rightarrow \$100,000/Month and with 50% distributed back to all TOs as % Trans Rev Req \Rightarrow \$50,000/Month or $12 * \$50,000 = \$600,000$ per year.
- Typical Cost for “Attachment Facilities”
 - \$2.5 Million * 15% Fixed Charge rate = \$375,000 per year.
- Since 50 MW is about the smallest size for a new generator,
 - 50% of PTP revenue distribution will likely cover more than the cost for attachment facilities.
 - Some difference between load ratio share and transmission revenue requirement share, but should be fairly similar.
 - Additional 50% distributed on MW-mile basis.
- Some “downside” features
 - Attachment Z will allocate some portion of the revenues to the PTP transmission customer for incremental service
 - Rate must cover the cost of new transmission capacity facilities.
 - Possible elimination of “out” rate by FERC per seams agreements with other RTOs.

Energy Only Resource

- Energy, not capacity benefits
 - An energy only resource must provide energy benefits to be economic. Otherwise, such a resource will not be funded.
 - The SPP region is fairly well saturated with new & more efficient gas-fired generation.
 - Difficult if not impossible to get the capital to fund a competitive coal-fired generator absent a capacity contract.
- Distribution of Energy Benefits
 - With zero congestion, the energy benefits will be SPP region wide.
 - With congestion, the energy benefits will be more localized to load that is upstream from the congestion.

A-4



Confidential Data

Les Dillahunty
Vice President,
Regulatory Policy
Southwest Power Pool

Regional State Committee Meeting

October 24, 2005
Santa Fe, NM



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.
- ❖ On June 21, 2005, FERC denied request for rehearing and offer of proof and directed that Midwest ISO file revised TEMT tariff sheets and revise the draft non-disclosure agreement so that it will conform to the revised tariff sheets.
- ❖ Midwest ISO submitted proposed revisions on August 19, 2005.



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."



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. "




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."




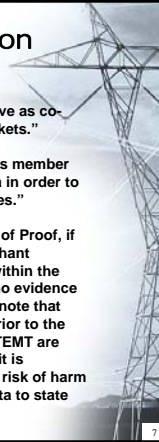
OMS FERC Decision on Confidential Data

- ❖ "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."




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
- ❖ If a public entity requests data, it must demonstrate how it can protect the data when the request is submitted (i.e. protective order), but the entity is not required to file a lawsuit to protect.






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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.






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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.






11




Current Status of Draft Confidentiality Provisions

- ❖ SPC draft language was included in the September 28, 2005 RTWG background material.
- ❖ The RTWG accepted the proposed tariff language.
- ❖ This language will be a part of the EIS filing package to be considered in the near future by the MOPC as a part of the next EIS filing package.

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Energy Policy Act
2005
Title XII –
Electricity
Overview

Charles Yeung
Executive Director
Interregional Affairs

SPP Regional State Committee
Santa Fe, NM
October 24, 2005

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Title XII – Electricity
§1201 through 1295

- ❖ §1232 – RTOs
- ❖ §1235 – Native Load Service
- ❖ §1242 – Funding Transmission
- ❖ §1274 – Federal Access to Books and Records
- ❖ §1275 – State Access to Books and Records
- ❖ §1211 – FERC authority over reliability of the interconnected grid
- ❖ SPP response to FERC NOPR for ERO

3



§1232 – Regional Transmission Organizations

- ❖ Amend Federal Power Act §217
 - ◆ Promote voluntary transmission organizations
 - ◆ Commission cannot order transfer of operational control to RTO
 - ◆ Annual audits of RTOs to ensure cost effectiveness
 - ◆ Establish accounting procedures for RTO (and similar entities) cost comparisons


4



§1235 – Native Load Service Obligation

- ❖ Amend Federal Power Act; Part II, §218
 - ◆ Ensure firm transmission is available for entities obligated to serve native load
 - * Physical and financial rights
 - * Transferable between load serving entities
 - ◆ FERC Rulemaking on Long-Term Transmission Rights in Organized Markets
 - * Secure firm transmission rights for long term power contracts, made or planned
 - * Issue Order or Rule (in 1 year) for Transmission Organizations with organized markets

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§1242 – Funding New Interconnection and Transmission Upgrades

- ❖ FERC authority to approve participant funding plan
 - ◆ For transmission upgrades or new generator interconnections
 - ◆ For RTO members and non-RTO entities

6



§1274 – Federal Access to Books and Records

- ❖ Commission access to books and records for purposes of investigating appropriateness of jurisdictional rates
 - ◆ Holding companies
 - ◆ Affiliate companies
- ❖ Information held confidential

7



§1275 – State Access to Books and Records

- ❖ State commission request for access to public utility holding company or associate company
 - ◆ Does not preempt state requirements

8



§1211 – Amend Federal Power Act; Part II, §215

- ❖ Electric Reliability Standards
 - ◆ Mandatory compliance for all “users, owners, operators”
 - ◆ “Bulk power system” – no voltage level defined
 - ◆ “...does not include any requirement to enlarge those components or to construct new transmission capacity or generation capacity.”
 - ◆ All standards filed at Commission
 - * Give “due weight” to expertise from ERO
 - * Shall not defer to ERO with respect to effects on competition
 - * Rebuttably presume proposals from a regional entity organized on interconnection-wide basis is not unduly discriminatory or preferential

9



§1211 – Amend Federal Power Act; Part II, §215

- ❖ The Electric Reliability Organization (ERO) - certified by the Commission
 - ◆ Ability to enforce standards
 - ◆ Allocate dues equitably among end users
 - ◆ Fair and impartial enforcement of standards through imposition penalties
 - ◆ Open and due process in developing reliability standards
 - ◆ Take steps to gain recognition in Canada and Mexico

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§1211 – Amend Federal Power Act; Part II, §215

- ❖ Regional Entity (RE)
 - ◆ FERC regulations for ERO to enter into agreements for “...purpose of proposing reliability standards to the ERO and enforcing reliability standards”
 - ◆ FERC may modify delegation
 - ◆ Rebuttable presumption for delegation to interconnection-wide RE
 - ◆ “...Commission may assign the authority of the ERO to enforce reliability standards ... directly to a regional entity”

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§1211 – Amend Federal Power Act; Part II, §215

- ❖ Regional Advisory Body
 - ◆ One member from each state in region appointed by the Governor (at least 2/3 state participation per body)
 - ◆ Advice to FERC on whether a standard and fees are “... just, reasonable, not unduly discriminatory or preferential, and in the public interest”
 - ◆ Other responsibilities upon request by Commission

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FERC Notice of Proposed Rulemaking for ERO

- ❖ Question regarding adoption of US-Canada Bilateral Group Principle – “Operator of system cannot be the RE”
 - ◆ Conflict of interest in compliance
 - ◆ Recognize Texas statute requiring the RTO and RE as one organization
- ❖ SPP comments (filed October 7, 2005)
 - ◆ Member support for combined RTO/RE going forward
 - ◆ Combined RTO/RE is efficient and effective
 - ◆ SPP reliability record
 - ◆ Independence through recent organization changes to separate SPP compliance staff from operations staff

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FERC Notice of Proposed Rulemaking for ERO *(cont.)*

- ❖ NERC's response
 - ◆ Supports all Bilateral Group principles
- ❖ FERC Final Order for ERO
 - ◆ Mid-December 2005?

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