



CAWG MEETING
May 3, 2006
Hyatt Regency DFW
Dallas, TX
1:30 – 5:30 pm

AGENDA

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|--|-------------|
| 1. Meeting Begins | 1:30 p.m. |
| 2. Finalize Attachment Z1 & Z2 for submittal to RTWG
Discussions lead by Mike Proctor | 1:30 – 3:00 |
| 3. 15 minute break | 3:00 – 3:15 |
| 4. Continued Attachment Z1 & Z2 discussion for submittal to RTWG
Discussions lead by Mike Proctor | 3:15 – 5:30 |

If time allows continue discussions of Attachment J

1 Definitions

1.3h Base Plan Upgrades: Those upgrades included in and constructed pursuant to the SPP Transmission Expansion Plan in order to ensure the reliability of the Transmission System. Base Plan Upgrades shall also include those upgrades required for new or changed Designated Resources to the extent allowed for in Attachment J to this Tariff.

1.9b Directly Assigned Network Upgrade Costs: A Transmission Customer's or Projects Sponsor's appropriate share of the cost of any required or requested Network Upgrade, determined in accordance with Attachments J and Z, including: (i) any costs directly assigned to a Transmission Customer for a Requested Upgrade in excess of the normally applicable transmission access charges for the associated transmission service; (ii) any costs directly assigned to a Transmission Customer that are in excess of the Safe Harbor Cost Limit for Network Upgrades associated with new or changed Designated Resource; and (iii) any costs directly assigned to a Project Sponsor for a Requested Upgrade.

1.10 Direct Assignment Facilities: Facilities or portions of facilities that are constructed by any Transmission Owner(s) for the sole use/benefit of a particular Transmission Customer or a particular group of customers or a particular Generation Interconnection Customer requesting service under the Tariff. Direct Assignment Facilities shall be specified in the Service Agreements that govern service to the Transmission Customer(s) and Generation Interconnection Customer(s) and shall be subject to Commission approval.

1.10a ~~Economic Upgrades:~~ ~~Elective upgrades, identified in the SPP Transmission Expansion Plan, which have potential economic benefit to the SPP Region, but are not required for reliability reasons.~~ Reserved.

1.26 Network Upgrades: All or a portion of the modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider's overall Transmission System for the general benefit of all users of such Transmission System.

1.36a Project Sponsor: One or more entities that voluntarily agree to bear a portion or all of the costs of an ~~Economic~~ Requested Upgrade.

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1.38a Requested Upgrades: Transmission facility upgrades, requested by a Transmission Customer, Interconnection Customer or Project Sponsor ~~other entity, which do not meet the definition of any other category of Network Upgrades.~~

1.41a Service Life: The time between the date electric plant is includible in electric plant in service, or electric plant leased to others, and the date of its retirement.¹

1.42d SPP Transmission Expansion Plan: The SPP RTO shall regularly perform transmission planning studies. These studies shall (i) assess the reliability and economic operation of the SPP Transmission System; (ii) identify Base Plan Upgrades; and (iii) identify elective upgrades, which have potential economic benefit to the SPP Region, but are not required for reliability reasons. Transmission expansion required over the planning period shall be submitted to the SPP Board of Directors.

¹ Note: Definition from the Uniform System of Accounts prescribed for Public Utilities and Licensees Subject to the Provisions of the FPA.

**AGGREGATE TRANSMISSION SERVICE STUDY PROCEDURES AND COST
ALLOCATION AND RECOVERY FOR REQUESTED UPGRADES**

I. Introduction

This attachment describes the process used to evaluate long-term transmission service requests and other requests for Requested Upgrades using an Aggregate Transmission Service Study process. The Transmission Provider will combine all long-term point-to-point and long-term designated network resource requests and other requests for Requested Upgrades received during a specified period of time into a single aggregate transmission service study. Using this aggregate study process, the Transmission Provider^{SPP} will combine all requests received during an open season to conclude an optimal expansion of the transmission system that provides the necessary ATC to accommodate all such requests at the minimum total cost. For the purposes of this Attachment Z1, all Transmission Owners that are not taking Network Integration Transmission Service will be treated the same as Transmission Customers taking Network Integration Transmission Service. This attachment details: ~~(i) cost allocation and cost recovery for Requested Upgrades associated with transmission service requests; and (ii) transmission revenue credits for Requested Upgrades, Economic Upgrades, and for directly assigned costs that are in excess of the Safe Harbor Cost Limit for Network Upgrades associated with new or changed Designated Resources.~~

II. Open Season

The Aggregate Transmission Service Study process commences with the initiation of an open season. The open season will be four (4) months in duration. During that period, customers may make requests for long-term transmission service that start no earlier than six (6)¹ months after the close of the season. Customers may submit and withdraw requests during the open season without any obligation. At the close of the open season, the Aggregate System Impact Study (ASIS) will include only queued requests for which Aggregate System Impact Study Agreements (ASISAs) have been executed. At the close of the open season, customer will

¹ Note: Using 4 months is unrealistic with the 120 day process.

have fifteen (15) days to execute such ASISAs per Section 19 of the Tariff. Existing long-term firm service Customers who desire to exercise a reservation priority under Section 2.2 of the Tariff shall do so pursuant to the terms of Section 2.2 and shall not be included in the aggregate study.

III. Aggregate Impact Study

a. At the close of the Open Season, all transmission service requests subject to an ASISA will be included in the ASIS. This study shall be done in accordance with Section 19 of the Tariff. The power flow models shall be developed for each season for the period from the earliest start of service to the latest end of service for the applicable requests. The models will include all other applicable existing reservations having equal or greater queue priority including prospective renewals of existing service having a reservation priority pursuant to Section 2.2 of the Tariff. System constraints will be identified and appropriate upgrades determined during the ASIS. The Transmission Provider shall determine the upgrades required to reliably provide all of the requested service. The Transmission ProviderSPP shall also perform a regional review of the required upgrades to determine if alternative solutions would reduce overall cost to customers. The Transmission Provider shall estimate the total cost of these upgrades.

b. The Transmission ProviderSPP shall recognize constraints due to contractually limited facilities and allocate available capacity on a first come first served basis on the contractual constraint only.

c. Within the ASIS the Transmission Provider will identify the facilities limiting the availability of the requested aggregate transmission service and the upgrades required to provide this service. It will also provide an estimate of the cost of those upgrades. The assignment of upgrade costs to each reservation will be provided to enable customers to estimate their costs. Upon receipt of the ASISImpact Study, customers will have fifteen (15) days to execute an Aggregate Facilities Study Agreement (AFSA) per Section 19 of the Tariff.

IV. Aggregate Facilities Study

a. The Transmission Provider shall perform an Aggregate Facilities Study including the requests of all customers who have executed an ~~Aggregate Facilities Study Agreement (AFSA)~~. The first phase of the facilities study process shall consist of a revision of the ~~ASIS impact study~~ to reflect the withdrawal of requests for which an AFSA was not executed, if any. The Aggregate Facilities Study shall be done in accordance with Section 19 of the Tariff. The Transmission Provider, in conjunction with the applicable Transmission Owners, shall determine the necessary cost and lead-time for construction of each upgrade and the estimated cost of service for each request. The Transmission Provider, in conjunction with the applicable Transmission Owners, shall determine the optimal set of solutions to reduce the overall costs for the study group and reliably provide the requested service in a timely manner.

b. When the Transmission Provider posts the Aggregate Facilities Study, the Transmission Provider shall provide the customer a letter agreement. The customer shall have fifteen (15) days to execute the letter agreement, indicating if and how the customer wants to move forward in the Aggregate Transmission Service Study process. If the customer does not execute the letter agreement within fifteen (15) days, the request will no longer be a Completed Application and shall be deemed terminated and withdrawn.

c. Upgrade specific Facilities Studies shall be performed, reflecting the withdrawal of requests for which a letter agreement was not executed, if any. Upon completion of the Facilities Study, the Transmission Provider shall provide the Transmission Customer a Service Agreement in the form of Attachment A for Firm Point-to-Point Transmission Service or Attachment F for Firm Network Integration Transmission Service. The Transmission Customer shall agree to take and pay for the Transmission Service in accordance with the provisions of: (i) Parts I, II and V of the Tariff for Firm Point-to-Point Transmission Service; and (ii) Parts I, III and V of the Tariff for Firm Network Integration Transmission Service. The Transmission Customer shall have thirty (30) days to execute the Service Agreement or request the filing of an unexecuted Service Agreement. If the Transmission Customer does not execute the Service Agreement or request the filing of an unexecuted Service Agreement within thirty (30) days, the request will no longer be a Completed Application and shall be deemed terminated and withdrawn.

V. **Cost Allocation for Requested Upgrades Associated with Transmission Service Requests**

The cost of Requested Upgrades associated with transmission service requests shall be allocated in accordance with this Section.

a. For the purpose of determining the cost responsibility for each transmission service request, all upgrades required to provide transmission service for all transmission service reservations included in an Aggregate Facilities Study shall be included in an Aggregate Cost Allocation Assessment. The cost of each transmission upgrade component will be allocated to each customer in the aggregation group on a pro-rata impact basis as provided in paragraph b. With regard to the cost allocation, the Transmission Provider shall review all upgrades and determine the earliest date that each upgrade is required. In the event an upgrade cannot be in-service by the earliest date that such upgrade is required, the start date of all the transmission service requests requiring the upgrade shall be deferred until the date that the upgrade is expected to be in-service, unless there is a redispatch option. The Transmission Provider will provide the top 100 redispatch pairs, if available. This redispatch option will be used to allow the Transmission Customer to begin transmission service based on the original requested start date. The Transmission Customer shall notify the Transmission Provider of the preferred start date of the service. Redispatch services shall be provided in accordance with Attachment K of the Tariff. The date the required upgrade is expected to be in-service, with or without deferral of transmission service, is considered the Commitment Date for each upgrade. The cost of a facility upgrade shall be allocated to all customers in the aggregate group whose reservation period begins after ~~the Commitment Date~~~~commercial operation date~~ of a facility upgrade (~~COD~~) or begins before the ~~Commitment Date~~~~COD~~ of a facility and extends past the ~~Commitment Date~~~~COD~~. If an upgrade is first required during a season after completion of service, no cost would be assigned to the customer. ~~With regard to the cost allocation, SPP shall review all upgrades and determine the earliest date that each upgrade is required. This date is considered the COD for each upgrade.~~ All requests that have a positive impact on the upgrade and for which the service has not been completed prior to the ~~Commitment Date~~~~COD~~ for such upgrade, shall be allocated costs for the upgrade. These requests shall be reviewed and the request that ends at the latest point in time (~~End of Term: EOT~~), shall define the amortization period for the facility.

b. An allocation of the cost of each facility upgrade to each request shall be determined on a pro-rata basis for the positive incremental power flow impacts of the requested service on such upgraded facility in proportion to the total of all incremental impacts on such upgraded facility. For each upgraded facility identified, the average incremental power flow impact of each request in the aggregate study shall be determined using each summer model available for the aggregate study period, after the Commitment Date~~COD~~ of such upgraded facility. Each impact amount shall be determined by first establishing a set of initial seasonal base cases that excludes flows associated with all requests included in the Aggregate Facilities Study. Then each request will be added to the models and the change in flow across such upgraded facility shall be determined for each request included in the Aggregate Facilities Study. The cost of an upgrade allocated to each request shall be proportional to the average positive incremental impact of each request on such facility divided by the total average positive incremental impact of all requests included in the Aggregate Facilities Study on such upgraded facility. The cost of each upgrade shall be allocated to requests independently. Incremental flows having a negative impact on an upgraded facility shall be ignored.

c. After concluding the above cost allocations to each reservation in the aggregate group, the Transmission Provider shall determine the charges for each request by using the levelized monthly revenue requirement associated with the transmission service requested by each customer in the aggregate group. This levelized monthly revenue requirement is determined by calculating the present worth of the revenue requirements associated with the upgrades as allocated to each customer in the aggregate group and then calculating an appropriate monthly amount for each customer in the aggregate group for each respective reservation.

VI. Cost Recovery for Requested Upgrades Associated with Transmission Service Requests

A. ~~Requested Upgrades~~—Cost Recovery

The cost of Requested Upgrades associated with transmission service requests shall be recovered in accordance with this Section. For Point-to-Point Service, the levelized monthly revenue requirement derived from the cost allocation process shall be compared to the charge applicable

for each request under the transmission access charges of Schedule 7, Sections 1 and 7⁵; and each customer shall be required to pay the higher of the total monthly transmission access charges or the monthly revenue requirement associated with the facility upgrades. For Network Integration Service customers, the charge shall be a direct assignment charge pursuant to Schedule 9, Section 4⁵; and each customer will be required to pay the monthly revenue requirement associated with the facility upgrades in addition to the total monthly transmission access charges applicable under Schedule 9, Sections 1 and 6. Cost recovery from a Transmission Customer of the revenue requirement for a Requested Upgrade allocated to such Transmission Customer will be accomplished over the duration of the Transmission Customer's request. Transmission Customers paying the above charges may receive credits in accordance with Attachment Z2Section VI.B.

~~B. Requested Upgrades and Economic Upgrades – Transmission Revenue Credits~~

~~Transmission Customers paying for Requested Upgrades and Project Sponsors bearing the costs of Economic Upgrades shall receive transmission revenue credits in accordance with Section VII. Any charges paid by a customer in excess of the transmission access charges in compensation for the revenue requirements for allocated facility upgrade(s) shall be recovered by such customer from future transmission service revenues until the customer has been fully compensated.~~

CB. Requested Network Upgrades Associated with Designated Resources – Cost Recovery for Costs in Excess of the Safe Harbor Cost Limit

To the extent a waiver is not granted pursuant to Section III of Attachment J, the cost in excess of the Safe Harbor Cost Limit of Network Upgrades associated with Designated Resources shall be recovered in accordance with this Section VI.B~~Section VII~~. Each Transmission Customer shall be required to pay the monthly revenue requirement associated with the cost of facility upgrades that were directly assigned to that Transmission Customer in accordance with Section III.B. of Attachment J, in addition to any other applicable charges under this Tariff. Cost recovery from a Transmission Customer of the revenue requirement for a Requested Upgrade allocated to such Transmission Customer will be accomplished over the

duration of the Transmission Customer's request. Transmission Customers paying the above charges may receive credits in accordance with Attachment Z2~~Section VI.D.~~

~~**D. Network Upgrades Associated with Designated Resources -- Transmission Revenue Credits**~~

~~Transmission Customers shall receive transmission revenue credits in accordance with Section VII for directly assigned costs of Network Upgrades associated with Designated Resources. Any charges paid by the Transmission Customer in excess of the transmission access charges in compensation for the revenue requirements for allocated facility upgrade(s) shall be recovered by such Transmission Customer from future transmission service revenues until that Transmission Customer has been fully compensated.~~

DRAFT – 04-07-06 ATTACHMENT Z2

**REVENUE CREDITS AND PAYMENTS FROM ROLLING COSTS INTO
TRANSMISSION ACCESS CHARGES TO COMPENSATE TRANSMISSION
CUSTOMERS AND PROJECT SPONSORS FOR DIRECTLY ASSIGNED NETWORK
UPGRADE COSTS**

I. INTRODUCTION

This attachment details transmission revenue credits for Directly Assigned Network Upgrade Costs (i) associated with Requested Upgrades or (ii) that are in excess of the Safe Harbor Cost Limit for Network Upgrades associated with new or changed Designated Resources. Requested Upgrades that have an associated transmission service request as well as Requested Upgrades that do not have an associated transmission service request are included for purposes of transmission revenue credits or rolling costs into transmission access charges in this Attachment Z2.

**II. APPLICABILITY OF TRANSMISSION REVENUE CREDITS AND PAYMENTS
RELATED TO THE ROLL IN OF COST INTO GENERALLY APPLICABLE
TRANSMISSION ACCESS CHARGES**

New transmission service that uses the facilities with Directly Assigned Network Upgrade Costs may result in payments to the Transmission Customer or Project Sponsor through revenue credits pursuant to Section III of this Attachment Z2. If the costs or a portion of the costs for the new transmission service are eligible to be rolled into generally applicable transmission access charges, the Transmission Customer or Project Sponsor would not be eligible for revenue credits from the portion of Directly Assigned Network Upgrade Costs rolled into the generally applicable transmission access charges, but would instead receive payments pursuant to Section IV of this Attachment Z2.

1. For Transmission Customers Requesting Transmission Service

Any Directly Assigned Transmission Upgrade Costs assigned to a Transmission Customer pursuant to Attachment J or Attachment Z1 in excess of the generally applicable transmission access charges for the associated transmission service shall

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qualify for recovery by the Transmission Customer from future transmission service either through revenue credits pursuant to Sections II.3 and III of this Attachment Z2 or through payments from rolling costs into transmission access charges pursuant to Sections II.3 and IV of this Attachment Z2.

2. For Project Sponsors Not Requesting Transmission Service

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Any Directly Assigned Network Upgrade Costs assigned to a Project Sponsor for a Requested Upgrade without an associated transmission service request shall qualify for recovery by the Project Sponsor from future transmission service either through revenue credits pursuant to Sections II.3 and III of this Attachment Z2 or through payments from rolling costs into transmission access charges pursuant to Sections II.3 and IV of this Attachment Z2.

3. Duration of Revenue Crediting or Payments from Rolling Costs Into Transmission Access Charges

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The transmission revenue credit provisions in Sections II.1 and II.2 or the payments from rolling costs into transmission access charges provision in Section IV shall commence on the commercial operation date of the upgrade with Directly Assigned Network Upgrade Costs and shall continue to the sooner of the Service Life of such upgrade or until the Transmission Customer or Project Sponsor has been fully compensated for such charges, including interest calculated in accordance with 18 CFR §35.19a(a)(2)(ii). Transmission revenue credits or payments from rolling costs into transmission access charges shall be terminated at the end of the Service Life of the upgrade, even if the Transmission Customer or Project Sponsor has not been fully compensated. Transmission revenue credits due pursuant to Section III of this Attachment Z2 or payments from rolling costs into transmission access charges pursuant to Section IV of this Attachment Z2 shall be paid to a Transmission Customer to which such revenue credits or payments are due even when the duration of the Transmission Customer's term of transmission service ends prior to the Service Life of the upgrade.

VIII. RevenueService Crediting for Directly Assigned Network Upgrade Costs

Transmission Customers and Project Sponsors paying for ~~a~~ Directly Assigned Network Upgrade Costs¹ shall receive credits for new transmission service using the facility as specified in Section II to this Attachment Z2~~VI~~. The ~~credit~~ amount of the revenue credit shall be recovered, with interest calculated in accordance with 18 CFR §35.19a(a)(2)(ii), from new transmission service using the facility as defined below until the Transmission Customer or Project Sponsor has been compensated as specified in Section II to this Attachments Z2. The provisions of this [Attachment Z2] are applicable to Transmission Owners subject to the provisions of Section 39.1 of this Tariff.² ~~credit due is zero.~~

1. New Point-To-Point Transmission Service: To the extent that the new point-to-point transmission service does not qualify the Network Upgrade in whole or in part to be included in the generally applicable transmission access charges either as Base Plan Upgrades [or Zonal Reliability Upgrades], ~~r~~Revenues from new point-to-point service that increases loading on the ~~new~~ Network Upgrade in the direction of the initial overload will be included for crediting purposes. For each new point-to-point reservation having such loading impact on such Network Upgrade, made after (i) the request for such upgrade by a Project Sponsor or (ii) the request for transmission service causing the need for such upgrade, with service commencing after or extending beyond the date³ the facility upgrade is completed ~~(EOC date)~~, the Transmission Customer or Project Sponsor~~customer~~ shall receive a portion of the transmission service charge equal to the positive response factor of such new reservation on the Network Upgrade facility times the new reservation capacity times the rate applicable to such new reservation. The response factor shall be calculated on a monthly basis.⁴ This allocation from new service shall continue until the Transmission Customer or Project Sponsor has been ~~fully~~ compensated pursuant to Section II of Attachment Z2~~for all charges~~

¹ Note: Directly Assigned Network Upgrade is not a defined term. Changed term to Directly Assigned Network Upgrade Costs and defined the term. See definitions.

² Note: From 02-10-06 Compliance Filing with FERC's 01-11-06 Order on Compliance Filing.

³ Note: From 02-10-06 Compliance Filing with FERC's 01-11-06 Order on Compliance Filing.

⁴ Note: Need to discuss how frequently the response factor should be calculated. Monthly factors can be calculated based on SPP creating specific POR/POD flow gates. Based on the revenue crediting examples, the RR is a one-time calculation suggesting that revenue crediting should be accomplished on the same basis.

~~paid in excess of the normally applicable transmission access charges pursuant to Schedules 7, 8 or 9 and 11.~~⁵

2. New Network Transmission Service: To the extent that the new point-to-point transmission service does not qualify the Network Upgrade in whole or in part to be included in the generally applicable transmission access charges either as Base Plan Upgrades [or Zonal Reliability Upgrades], revenue credits will be provided for Long-Term Network Transmission Service using the Network Upgrade in the direction of the initial overload to accommodate designation of new Network Loads, new Designated Resources or increases in the designation of existing Designated Resources above previously designated levels. Credits shall be determined based upon the subsequent incremental use of ~~such~~the Network Upgrade for such new or increased Network Load or Network Resource.

a. Directly Assigned Network Upgrade Costs Paid by Transmission Customers

For use of a Network Upgrade that was built pursuant to a request for transmission service and for which there are Directly Assigned Network Upgrade Costs, ~~t~~he annual credit amount to be billed and paid monthly by a Network Customer, ~~or included in rates,~~ for each such new or increased use of the Network Upgrade shall be the product of the annual revenue requirement associated with the Network Upgrade and the ratio of the incremental impact placed on the Network Upgrade by each such new or increased use to the total of the incremental impacts placed on the Network Upgrade by all currently and previously identified incremental Network Service and Long-Term Firm Point-To-Point uses of the Network Upgrade. The cost of such credit amount shall be paid by the Network ~~Service~~ Customer making such new or increased use of the Network Upgrade, ~~or included in rates pursuant to the Base Plan funding~~

⁵ Note: Need to address credits from new short-term reservations as well as from new long-term reservations.

~~formula in Attachment J~~, in addition to all other applicable charges under this Tariff.

Such credits shall be given to all previously identified incremental Network Service and Long-Term Firm Point-To-Point uses, including prior incremental Network Service uses that resulted in the obligation to pay credits. The grant of such credits shall be in proportion to the fraction of the annual revenue requirement associated with the Network Upgrade for which they are responsible, net of any credits previously applied.

b. Directly Assigned Network Upgrade Costs Paid by Project Sponsors

For use of a Network Upgrade that was built pursuant to a request from a Project Sponsor and for which there are Directly Assigned Network Upgrade Costs, the annual credit amount to be billed and paid monthly by a Network Customer for each such new or increased use of the Network Upgrade shall be the product of the annual revenue requirement associated with the Network Upgrade and the ratio of the incremental impact placed on the Network Upgrade by each such new or increased use to the capacity of the Network Upgrade. The incremental use assigned to the Project Sponsor shall be the capacity of the Directly Assigned Network Upgrade minus all currently and previously identified incremental Network Service and Long-Term Firm Point-To-Point uses. The cost of such credit amount shall be paid by the Network Service Customer making such new or increased use of the Network Upgrade in addition to all other applicable charges under this Tariff.⁶

⁶ Note: Unlike when a Network Upgrade is required to provide transmission service (III.2.a.), when a Network Upgrade is requested by a Project Sponsor (III.2.b.), credits are not given to incremental Network Service uses that resulted in the obligation to pay credits.

3. Power Controlling Devices:⁷ Credits will be provided for New Long-Term Network Transmission Service using the device in either direction to accommodate designation of new Network Loads, new Designated Resources or increases in the designation of existing Designated Resources above previously designated levels. Credits shall be determined based upon the subsequent additional incremental use of the device by any such new or increased use.

The annual credit amount to be billed and paid monthly by a Network Customer, or included in [transmission access charges](#)~~rates~~, for each such new or increased use shall be the product of the annual revenue requirement associated with the device and the ratio of the incremental impact placed on the device by each such new or increased use to the total of the incremental impacts placed on the device by all currently and previously identified incremental Network Service and Long-Term Firm Point-To-Point uses of the device in both directions. The cost of such credit amount shall be paid by the Network Service Customer making such new or increased use of the device, or included in [transmission access charges](#)~~rates~~ pursuant to the Base Plan funding formula in Attachment J, in addition to all other applicable charges under this Tariff.

Such credits shall be given to all previously identified incremental Network Service and Long-Term Firm Point-To-Point uses, including prior incremental Network Service uses that resulted in the obligation to pay credits. The grant of such credits shall be in proportion to the fraction of the annual revenue requirement associated with the Network Upgrade for which they are responsible, net of any credits previously applied.

Crediting for Long-Term Firm Point-to-Point Transmission Service using the power controlling device in either direction shall be a portion of the transmission service charge equal to the positive response factor of such new reservation on the device times the new reservation capacity times the rate applicable to such new

⁷ [Note: Need to clarify this section of Attachment Z2 and make consistent with any changes that we make to the new point-to-point service section and new network service section.](#)

reservation less any revenue credits applicable to other Network Upgrades on the transmission path. Crediting for Short-Term Firm and Non-Firm Point-to-Point Transmission Service using the device in either direction shall be the percent usage of the total revenue received by the Transmission Provider that is not required for other transmission funding obligations.⁸

IV.HH. Future Roll-In of Directly Assigned Network Upgrade Costs

When a facility upgrade being paid for pursuant to the provisions of this Attachment Z is rolled into the revenue requirements used for the development of generally applicable transmission service rates, the Transmission Owner that constructed the facility upgrade shall pay the remaining balance of each customer's unrecovered payments described in Sections VI.B and VI.D that are applicable to that facility upgrade. All customers who have upgraded facilities and have remaining balances subject to cost recovery pursuant to Section VI of this Attachment Z, shall be paid in full. The customer shall continue to pay the charges specified in the customer's transmission service agreement for the transmission service initially reserve

⁸ Note: Need to clarify "other transmission funding obligations".

Recovery Of Costs Associated With New Facilities

I. Direct Assignment Facilities

Where a System Impact and/or Facilities Study indicates the need to construct Direct Assignment Facilities to accommodate a request for Transmission Service, the Transmission Customer shall be charged the full cost of such Direct Assignment Facilities. Such costs shall be specified in a Service Agreement.

II. Network Upgrades

There shall be ~~two~~^{four} types of Network Upgrades: Base Plan Upgrades, ~~and Economic Upgrades, Requested Upgrades, and generation interconnection related Network Upgrades as defined in Attachment V to this Tariff.~~ The costs of completed Network Upgrades shall be allocated as specified in Sections III through VI of this Attachment.

III. Base Plan Upgrades

A single Base Plan Upgrade is comprised of any upgrade or group of upgrades required to be made to a single transmission circuit, where a transmission circuit is comprised of all elements load carrying between circuit breakers or the comparable switching devices.

A. Allocation of Base Plan Upgrade Costs

1. If the cost of a Base Plan Upgrade is less than or equal to \$100,000, the annual transmission revenue requirement associated with such Base Plan Upgrade shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement of the Zone in which the Base Plan Upgrade is located.
2. If the cost of a Base Plan Upgrade is greater than \$100,000, then:
 - i. X% of the annual transmission revenue requirement associated with such Base Plan Upgrade shall be allocated

to the Base Plan Region-wide Annual Transmission Revenue Requirement and recovered through the Base Plan Region-wide Charge. The initial value of X shall be 33%.

- ii. (100-X)% of the annual transmission revenue requirement associated with such Base Plan Upgrade shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement and recovered through the Base Plan Zonal Charge. This portion of the annual transmission revenue requirement for each Base Plan Upgrade shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement of specific Zones based on the Zones' share of the incremental MW-mile benefits as computed in Section 4 of Attachment S to this Tariff. Each Zone with a benefit of at least 10 MW-miles from a given Base Plan Upgrade shall be allocated a portion of the Base Plan Zonal Annual Transmission Revenue Requirement for such upgrade based on its incremental MW-mile benefit divided by the sum of the incremental MW-mile benefits for all of those Zones with a benefit of at least 10 MW-miles from the upgrade.

B. Conditions for Classifying Upgrades Associated with Designated Resources As Base Plan Upgrades

If the cost of any Network Upgrade or group of Network Upgrades to a single transmission circuit associated with a new or changed Designated Resource is less than or equal to \$100,000: (i) such upgrade(s) shall be classified as a Base Plan Upgrade; and (ii) the annual transmission revenue requirement associated with such upgrade(s) shall be allocated in accordance with Section III.A.1.

Network Upgrades, with a cost that exceed \$100,000, associated with new or changed Designated Resources shall be classified as Base

Plan Upgrades if the Designated Resource or the associated upgrades (as applicable) meets each of the following conditions:

1. The Transmission Customer's commitment to the Designated Resource has a duration of at least five years;
2. In the first year the Designated Resource is planned to be used by the Transmission Customer, the accredited capacity of the Transmission Customer's existing Designated Resources plus the lesser of: (a) the planned maximum net dependable capacity applicable to the Transmission Customer or (b) the requested capacity; shall not exceed 125% of the Transmission Customer's projected system peak responsibility determined pursuant to SPP Criteria 2; and
3. The cost of Network Upgrades associated with the new or changed Designated Resource is less than or equal to \$180,000/MW times the lesser of: (a) the planned maximum net dependable capacity applicable to the Transmission Customer or (b) the requested capacity (the "Safe Harbor Cost Limit").

The Transmission Customer must provide [the Transmission Provider](#)~~SPP~~ the information that [the Transmission Provider](#)~~SPP~~ deems necessary to verify that the new or changed Designated Resource meets conditions 1 and 2 above.

If the Designated Resource or the associated upgrades (as applicable) does not meet the conditions set forth in 1 and 2 above, and the Transmission Customer does not secure a waiver of the relevant condition(s), the costs of the upgrades will be directly assigned to the Transmission Customer. If the costs of upgrades associated with a new or changed Designated Resource exceeds the Safe Harbor Cost Limit, and the Transmission Customer does not secure a waiver of that limit, the costs of the upgrades in excess of the limit will be directly assigned to the Transmission Customer. The Transmission Customer shall receive

transmission revenue credits in accordance with Attachment [Z2](#) to this Tariff for any such directly assigned costs.

C. Waiver of Conditions for Classifying Upgrades Associated with Designated Resources As Base Plan Upgrades

1. Waiver Process

If the Designated Resource or the associated upgrade (as applicable) does not meet one or more of the conditions in Section III.B. of this Attachment, the Transmission Customer may seek a waiver from [the Transmission ProviderSPP](#) in order that the costs of the Network Upgrade may be classified in whole or in part as Base Plan Upgrade costs.

If the Designated Resource does not meet the conditions set forth in Section III.B.1. or III.B.2. of this Attachment, the Transmission Customer must submit its request for a waiver to [the Transmission ProviderSPP](#) simultaneous with its designation of a new or changed Designated Resource to be included in the SPP Transmission Expansion Plan.

Studies performed by [the Transmission ProviderSPP](#) as part of the transmission [service study procedure, which is described in Attachment Z1, expansion planning process](#) will determine whether the costs for Network Upgrades associated with a new or changed Designated Resource may exceed the Safe Harbor Cost Limit. If [the Transmission ProviderSPP](#) determines that the costs for Network Upgrades associated with a new or changed Designated Resource may exceed the Safe Harbor Cost Limit, [the Transmission ProviderSPP](#) shall notify the affected Transmission Customer [when the Transmission Provider posts the associated Facilities Study](#). If the affected Transmission Customer intends to request a waiver regarding the costs in excess of the Safe Harbor Cost Limit, the Transmission Customer must submit to [the Transmission ProviderSPP](#) its request for a waiver within 15 days of such notice.

Following receipt of a request for a waiver, [the Transmission ProviderSPP](#) will review the request and make a determination on a non-

discriminatory basis of whether a waiver should be granted based upon consideration of the factors described in Section III.C.2. of this Attachment. The Transmission Customer requesting the waiver shall be responsible for the reasonable costs of any studies that [the Transmission ProviderSPP](#) performs in making its determination. [The Transmission ProviderSPP](#) will provide a report and recommendation to the Markets and Operations Policy Committee for each requested waiver. The Markets and Operations Policy Committee will consider the waiver request and the [Transmission Provider'sSPP](#) report and recommendation, and will provide its own recommendation (along with the [Transmission Provider'sSPP](#) report and recommendation) regarding each requested waiver to the SPP Board of Directors. Barring unusual circumstances, a valid waiver request will be reviewed and submitted to the SPP Board of Directors within 120 days following the receipt of the waiver request.

2. Factors to be Considered in Evaluating Waiver Requests

Any waiver request submitted by a Transmission Customer pursuant to Section III.C.1. of this Attachment shall be evaluated based upon the following general factors, including but not limited to:

- i. There are insufficient competitive resource alternatives for one or more Transmission Customers.
- ii. In the event that the aggregate costs of a Network Upgrade exceed the Safe Harbor Cost Limit, (i) those costs up to the level of the Safe Harbor Cost Limit shall be classified as Base Plan Upgrade costs, and (ii) those costs that exceed the Safe Harbor Cost Limit may be classified in whole or in part as Base Plan Upgrade costs taking into account the extent to which the duration of the Transmission Customer's commitment to the new or changed Designated Resource exceeds the five-year commitment period set forth in paragraph III.B.1. above.

- iii. The five-year commitment period for the new or changed Designated Resource may be waived if: (i) the associated Network Upgrade costs are significantly less than the Safe Harbor Cost Limit; or (ii) the associated Network Upgrades provide benefits to other Transmission Customers that would offset in less than five years any costs allocated to them as a result of the upgrade being classified as a Base Plan Upgrade.
- iv. If a request for a waiver is received by [the Transmission Provider](#)~~SPP~~ based upon other circumstances, such waiver request shall also be considered pursuant to the waiver process described in Section III.C.1. of this Attachment.

If the costs of the Network Upgrade(s) required for a new or changed Designated Resource are not eligible for classification as Based Plan Upgrade costs, the Transmission Customer may nevertheless request the construction of such upgrades. In such event, the costs of such upgrades shall be allocated in accordance with Section IV of this Attachment.

3. Service Agreement for a Transmission Customer Seeking a Waiver for Costs In Excess of the Safe Harbor Cost Limit

The Transmission Provider shall tender and the Transmission Customer shall execute the Service Agreement pursuant to Section IV of Attachment Z1. For the Transmission Customer seeking a waiver for costs in excess of the Safe Harbor Cost Limit, the Service Agreement shall identify the costs associated with the required Requested Upgrades that the Transmission Customer shall be responsible for: (i) if the waiver is accepted; and (ii) if the waiver is denied.

The waiver decision by the SPP Board of Directors shall determine the applicable Transmission Customer costs for the Firm Point-to-Point Transmission Service or the Firm Network Integration Transmission Service as identified in the Service Agreement. The decision by the SPP Board of Directors shall be final.

D. Review of Base Plan Allocation Methodology

1. The Transmission Provider~~SPP~~ shall review the reasonableness of the regional allocation factor (X%) and the zonal allocation methodology at least once every five years. The Transmission Provider~~SPP~~ and/or the Regional State Committee may initiate a review of the regional allocation factor and/or the zonal allocation methodology if either body determines that circumstances warrant. Any change in the regional allocation factor and/or the zonal allocation methodology shall be filed with the Commission.
2. For each SPP Transmission Expansion Plan, the Transmission Provider~~SPP~~ shall calculate the cost allocation impacts of the Base Plan Upgrades to each Transmission Customer within the SPP Region. The results will be reviewed for unintended consequences by the Regional Tariff Working Group and reported to the Markets and Operations Policy Committee and Regional State Committee.

~~IV. — Economic Upgrades~~

~~The cost of an Economic Upgrade shall be borne voluntarily by the Project Sponsors. The Project Sponsors shall receive transmission revenue credits in accordance with Attachment Z to this Tariff.~~

IV. Requested Upgrades

A portion or all of the costs of a Requested Upgrade may be allocated to Transmission Customers or Project Sponsors. The Transmission Customer requesting transmission service that requires the construction of a Requested Upgrade shall be allocated the costs for such upgrade and shall pay for such upgrade in accordance with Attachment Z1.

The Project Sponsor requesting the construction of a Requested Upgrade voluntarily agrees to bear a portion or all of the costs of such upgrade. The Project Sponsor may select one of the following alternative methods of payment for the Requested Upgrade.¹ The preferred alternative is for the Project Sponsor to pay the

¹ SPP Principles for Project Sponsor Funding:

revenue requirement associated with the Requested Upgrade over the Service Life of the Upgrade. The Project Sponsor shall provide the Transmission Provider an unconditional and irrevocable letter of credit as security to meet its responsibilities and obligations based on the sponsorship of engineering and construction of the Requested Upgrade, or an alternative form of security proposed by the Project Sponsor and acceptable to the Transmission Provider and consistent with commercial practices established by the Uniform Commercial Code that protects the Transmission Provider against the risk of non-payment.

The second alternative is for the Project Sponsor to pay an upfront payment that is equal to the revenue requirement associated with the Requested Upgrade based on the Service Life of the Requested Upgrade grossed up to include applicable IRS taxes.

The Transmission Customer or Project Sponsor shall receive transmission revenue credits in accordance with Attachment Z~~2~~.

VI. Generation Interconnection Related Requested~~Network~~ Upgrades

The cost of a generation interconnection related Requested~~Network~~ Upgrade shall be allocated in accordance with Section IV of this Attachment~~Attachment V to this Tariff~~. The Interconnection Customer shall be considered a Transmission Customer or a Project Sponsor depending on whether the Requested Upgrade is required due to the Interconnection Customer requesting transmission service or the Interconnection Customer requesting a Requested Upgrade and voluntarily agreeing to bear a portion or all of the costs of such upgrade, respectively. The Interconnection Customer shall receive transmission revenue credits in accordance with Attachment Z~~2~~.

1. Project Sponsors always have the option of funding a project through either payments of annual revenue requirements or upfront funding.
2. When the project is upfront funded, the Transmission Owner should be fully compensated for the cost associated with owning and operating the Project Sponsored portion of the proposed facilities. At a minimum this would include any tax gross up required by tax law, property taxes and any operating and maintenance expenses associated with the proposed facilities. The cost of an upfront funded project would not include the Transmission Owner's return on investment.
3. The terms and conditions of Project Sponsorship should be specified in the SPP Tariff so that Service may be provided on a non-discriminatory basis.

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VI. Treatment of Upgrades that Permit Deferral or Avoidance of Base Plan Upgrades

A. Base Plan Avoided Revenue Requirement

To the extent ~~an Economic Upgrade,~~ a Requested Upgrade ~~or a generation interconnection related Network Upgrade~~ defers or displaces the need for a Base Plan Upgrade, the Transmission Provider^{SPP} shall calculate the Base Plan Avoided Revenue Requirements that are achievable due to such upgrade. The Base Plan Avoided Revenue Requirements shall be capped at the original project costs for the approved Base Plan Upgrade which is deferred or displaced. If such upgrade defers or displaces the need for a Base Plan Upgrade associated with a new or changed Designated Resources for which the costs exceed the Safe Harbor Cost Limit, the Base Plan Avoided Revenue Requirements shall be capped at the Safe Harbor Cost Limit. That portion of such an upgrade that defers or displaces the need for a Base Plan Upgrade shall be considered a Base Plan Upgrade for the purposes of cost allocation to the extent of the Base Plan Avoided Revenue Requirements.

B. Deferred Base Plan Upgrade

In the case of a Base Plan Upgrade that may be deferred as a result of the ~~Economic Upgrade,~~ Requested Upgrade ~~or generation interconnection related Network Upgrade~~ (“Deferred Base Plan Upgrade”), the achievable Base Plan Avoided Revenue Requirement shall be equal to the time value of the affected Transmission Owner’s(s’) revenue requirement(s) for the Deferred Base Plan Upgrade over the period of the deferral, calculated as follows:

1. A Transmission Owner’s annual revenue requirement for a Deferred Base Plan Upgrade shall be determined using the same method as is used by the Transmission Owner to calculate its revenue requirement for transmission facilities for other purposes, but applying that method to the projected incremental investment in the Deferred Base Plan Upgrade.
2. The time value of the deferral shall be calculated by discounting to present value the avoided annual revenue requirement for each

individual year in the deferral period and summing the resulting values. For each individual year in the deferral period, the time value of the deferral will be determined by discounting the annual revenue requirement for that year first from January 1 of that year and then from December 31 of that year, summing the two resulting values, and dividing by two. For any partial year encompassed by the deferral period, the time value of the deferral shall be calculated in the same manner as indicated in the immediately preceding sentence, except that the resulting value will be pro-rated based on the number of months in the partial year divided by 12.

C. Displaced Base Plan Upgrade

In the case of a Base Plan Upgrade that may be displaced as a result of the ~~Economic Upgrade, Requested Upgrade or generation interconnection related Network Upgrade~~ (“Displaced Base Plan Upgrade”), the achievable Base Plan Avoided Revenue Requirement shall be equal to the time value of the affected Transmission Owner’s(s’) revenue requirement(s) for the Displaced Base Plan Upgrade over the ~~Service Life~~~~expected service life~~ of the facility that is displaced. The methodology for calculating the Base Plan Avoided Revenue Requirement shall be the same as set forth in Section VI.B. of this Attachment, except that the ~~Service Life~~~~expected service life~~ of the facility shall be substituted for the deferral period in all instances.

D. Allocation of Base Plan Avoided Revenue Requirements

The Base Plan Avoided Revenue Requirements shall be allocated as follows:²

² Need to include when Resident Load will start and stop paying the Base Plan Avoided Revenue Requirement when a Base Plan Upgrade is deferred or displaced due to a Requested Upgrade. Payment of the Base Plan Avoided Revenue Requirement should start when the Requested Upgrade goes in service. Need to discuss this further. Probably need to consider a present worth and future worth RR comparison. The language in B.2 is some kind of average.

1. X% of the Base Plan Avoided Revenue Requirements shall be allocated to the Base Plan Region-wide Transmission Revenue Requirement and recovered through the Base Plan Region-wide Charge. The initial value of X shall be 33%.
2. (100-X)% of the Base Plan Avoided Revenue Requirements shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement and recovered through the Base Plan Zonal Charge. The portion of the Base Plan Avoided Revenue Requirements which shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement shall be allocated to the specific Zones that would have benefited from the Base Plan Upgrade project(s) that will be deferred or displaced. The zonal allocation of the Base Plan Avoided Revenue Requirements shall be determined in accordance with Section III.A. of this Attachment and Section 4 of Attachment S to this Tariff.
3. The Project Sponsor(s) ~~for an Economic Upgrade, or the Transmission Customer for a Requested Upgrade or the Interconnection Customer for a generation interconnection related Network Upgrade~~ shall be responsible for the net of the present value of the total costs for its upgrade less the present value of the Base Plan Avoided Revenue Requirements. The method for determining the Base Plan Avoided Revenue Requirement shall be filed with the Commission prior to the imposition of any charges or credits hereunder.

VIII. Uncompleted Network Upgrades

The costs of Network Upgrades that are not completed through no fault of the Transmission Owner charged with construction of the upgrades shall be handled as follows:

If a proposed Network Upgrade was included in the SPP Transmission Expansion Plan, a Transmission Provider-approved ~~t~~ransmission ~~p~~lan, or otherwise accepted or approved by the Transmission Provider, the Transmission Provider shall develop a

mechanism to recover such costs and distribute such revenue on a case by case basis. Such recovery and distribution mechanism shall be filed with the Commission. The Transmission Owner(s) that incurred the costs shall be reimbursed for those costs by the Transmission Provider. These costs shall include, but are not limited to: the costs associated with attempting to obtain all necessary approvals for the project and studies and any construction costs.