

AGENDA

REGULAR MEETING *

Monday, July 24, 2006

2:00 pm- 5:00 pm

Embassy Suites Hotel/Kansas City Plaza

Kansas City, MO

1. CALL TO ORDER
2. PRELIMINARY MATTERS
 - a. Declaration of a quorum
 - b. Adoption of April 24, 2006 Minutes
3. UPDATES
 - a. RSC Financial Report
 - b. Other RSC officer reports
 - c. FERC
 - d. SPP
4. BUSINESS MEETING-ALL ITEMS SUBJECT TO DISCUSSION AND ACTION
 - a. Draft SPP Strategic Plan Review..... Richard Spring
 - b. EIS Market Implementation Update Carl Monroe
 - c. SPP/IRC Approach to FERC Order 888 Reform..... Les Dillahunty
 - d. Base Plan Projects & Unintended Consequences Review..... Dennis Reed
 - e. SPP Transmission Expansion Projects Status Report Les Dillahunty
 - f. Cost Allocation Working Group (CAWG) Status Report..... Dr. Mike Proctor
 - g. Other issues
5. SCHEDULING OF NEXT REGULAR MEETING, SPECIAL MEETINGS OR EVENTS
6. ADJOURNMENT

* Background materials will continue to be posted in advance of the scheduled meeting to this site as they are concluded by the MOPC, SPC and etc.

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 2:00 pm CDT on July 24, 2006. 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.

**Regional State Committee
June 2006
Budget vs. Actual
DRAFT**

	<u>June Actuals</u>	<u>June Budget</u>	<u>Variance</u>	<u>YTD Actuals</u>	<u>YTD Budget</u>	<u>Variance</u>	<u>Annual Budget</u>
Income							
Other Income	\$ 3,237	\$ 20,711	\$ (17,474)	\$ 31,433	\$ 224,265	\$ (192,832) (A)	\$ 448,530
Total Income	<u>3,237</u>	<u>20,711</u>	<u>(17,474)</u>	<u>31,433</u>	<u>224,265</u>	<u>(192,832)</u>	<u>448,530</u>
Expense							
Meetings	3,237	20,711	(17,474)	31,433	124,265	(92,832) (B)	248,530
Cost Benefit Studies					100,000	(100,000) (C)	200,000
Total Expense	<u>3,237</u>	<u>20,711</u>	<u>(17,474)</u>	<u>31,433</u>	<u>224,265</u>	<u>(192,832)</u>	<u>448,530</u>
Net Income (Loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(A) YTD revenue is less than budget given that ytd expenses are less than budget.

(B) YTD meeting costs are less than budget due to less than anticipated costs associated with meetings held ytd

(C) YTD study costs are less than budget as no studies have commenced in 2006.

2007 BUDGET - RSC EXPENSE

ITEM	TOTAL	EXPLANATION
Travel Expense	\$ 45,000	Jan'05-May'06 Run Rate
Administrative Expense	1,500	Misc RSC Expense
Meetings Expense	70,000	Jan'06-May'06 Run Rate
RSC Cost/Benefit Study	<u>700,000</u>	Estimate confirmed by CRAI
TOTAL EXPENSE	\$ 817,500	

2007 BUDGET - SUMMARY INCOME STATEMENT VIEW

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	VARIANCE	
Salaries Expense															
2007 Budget	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2006 Budget	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2006 Fcst	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee Benefits Expense															
2007 Budget	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2006 Budget	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2006 Fcst	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll Taxes Expense															
2007 Budget	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2006 Budget	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2006 Fcst	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel Expense															
2007 Budget	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	45,000		Jan'05-May'06 RR -per Les
2006 Budget	-	-	-	-	-	-	-	-	-	-	-	-	-	45,000	
2006 Fcst	-	-	-	-	-	-	-	-	-	-	-	-	-	45,000	
Administrative Expense															
2007 Budget	-	-	375	-	-	375	-	-	375	-	-	375	1,500		Misc RSC expense
2006 Budget	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500	
2006 Fcst	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500	
Meetings Expense															
2007 Budget	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	70,000		Jan'06-May'06 RR
2006 Budget	-	-	-	-	-	-	-	-	-	-	-	-	-	70,000	
2006 Fcst	917	4,330	4,957	9,371	8,621	-	-	-	-	-	-	-	28,196	41,804	
Outside Services Expense															
2007 Budget	-	-	-	-	-	-	-	-	1,000	-	-	-	1,000		Audit
2006 Budget	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	
2006 Fcst	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	
Regional State Committee Expense															
2007 Budget	-	-	100,000	-	-	400,000	-	-	-	200,000	-	-	700,000		Estimate confirmed by CRAI
2006 Budget	20,711	20,711	120,710	20,711	20,711	20,711	20,711	20,711	120,710	20,711	20,711	20,711	448,530	251,470	
2006 Fcst	-	42,183	-	(42,183)	-	20,711	20,711	20,711	120,710	20,711	20,711	20,711	244,976	455,024	
TOTAL EXPENSE															
2007 Budget	9,583	9,583	109,958	9,583	9,583	409,958	9,583	9,583	10,958	209,583	9,583	9,958	817,500		
2006 Budget	20,711	20,711	120,710	20,711	20,711	20,711	20,711	20,711	120,710	20,711	20,711	20,711	448,530	368,970	
2006 Fcst	917	46,513	4,957	(32,812)	8,621	20,711	20,711	20,711	120,710	20,711	20,711	20,711	273,172	544,328	
HEADCOUNT															
Existing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Additional Headcount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deleted Headcount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Headcount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
CAPITAL EXPENDITURES															
Hardware	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Furn & Fixtures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Communications Equip	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
SW in Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Structures/Improvement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL CAP EX	-	-	-	-	-	-	-	-	-	-	-	-	-	-	



Strategic Plan

July 26, 2005

Status Report

July 25, 2006

MARKETS DEVELOPMENT

SPP should continue with the implementation of an Energy Imbalance Market for the region. Additional market development should be considered, but only following cost/benefit studies and/or an assessment of customers as to their needs for these additional services. In contrast to the 2003 Strategic Plan, SPP will consider ancillary services markets in advance of market-based congestion management, as these markets are of most interest to customers and stand to provide more immediate benefits. SPP will defer any transition to financial transmission rights (FTRs) until otherwise recommended by the RSC, as is its responsibility per the SPP Bylaws. SPP must also continuously monitor and manage the impact of its various seams/coordination agreements on its operations.

The following steps should be taken:

1. Implementation of the Energy Imbalance Market with regular status reports provided to and progress monitored by the Markets and Operations Policy Committee (MOPC), the Regional State Committee (RSC) and the SPC.
2. Continued attention by staff to seams/coordination agreements and their impacts, with appropriate reporting to the stakeholder committees.
3. Development of a proposal for the development and implementation of other market services, starting with ancillary services markets, as assigned by the MOPC.

STATUS

Implementation of the EIS Market is proceeding with a scheduled go-live date of October 1. Regular project and participant readiness status reports are provided to the Board of Directors/Members Committee, the RSC, the MOPC, and the SPC.

Staff continues discussions with and attention to seams partners/issues as market implementation progresses. SPP has seams/coordination agreements with Midwest ISO, Tennessee Valley Authority and Associated Electric Cooperative. A coordination agreement with Entergy is pending (separate from the ICT Agreement).

The Market Working Group is developing proposals for implementation of other market services.

TRANSMISSION EXPANSION

Additional transmission infrastructure is needed across the country, including in the SPP region. The RSC developed and FERC has approved a plan for the funding of transmission expansion that is beneficial to the region for reliability. Evaluation of a funding mechanism for those upgrades that provide only economic benefits to the region is underway. SPP also received approval for an experimental program allowing participants to pre-pay for minor upgrades specifically benefiting short-term transmission transactions.

The following steps should be taken:

1. Follow-through on the approved transmission expansion funding plan for upgrades meeting reliability needs.
2. Continue development by the RSC, and SPP stakeholder committees as appropriate, of a funding plan for transmission expansion for upgrades providing only economic benefits to the region.
3. Evaluate and continue, if deemed appropriate, on a permanent basis the FERC-approved experimental pre-payment program for upgrades for short-term transmission service.
4. Review of all these new funding plans to assure that no “unintended consequences” arise, and if so, ensure that they are presented for consideration and mitigation.

STATUS

SPP members are investing almost a quarter of a billion dollars in transmission expansion projects which will be completed in 2006-2007. Several significant EHV (230kV+) transmission expansion projects are expected in SPP in the near future, primarily as a result of service agreements associated with firm transmission service requests coming out of the Aggregate Study process. In addition to reliability projects, SPP members are sponsoring system upgrades to mitigate congestion and improve economic efficiencies. The most recent non-reliability based system upgrades to the SPP EHV network include:

- LaCygne-West Gardner 345 kV line (\$12M KCPL reconductor in April, 2006)
- Redbud-Arcadia 345 kV lines (Redbud funded \$2.5M replacement of three 345 kV circuit breakers and ten 345 kV switches at the OG&E Arcadia Substation in May, 2006)

These sponsored upgrades are eligible for revenue crediting which started June 1 as a result of incremental sales which can be accommodated due to the increased system capacity.

SPP continues to host transmission planning summits, an important step to get stakeholders engaged in the expansion planning process. The most recent summit included the results of a reliability analysis that identified locations where the SPP system will require reinforcements for the years 2011 through 2016. SPP staff is taking a lead role in numerous studies regarding transmission expansion throughout the region and with neighboring systems.

The Economic Modeling & Methods Task Force (EMMTF) and Base Plan Guidelines Task Force (BPGTF) have been instrumental in evaluating and refining SPP processes to facilitate transmission expansion in the footprint. The EMMTF determines the assumptions, solution techniques, sensitivities and study results that would be presented regarding future economic transmission expansion studies. The BPGTF develops application guidelines to classify transmission projects that shall qualify for Base Plan funding pursuant to the SPP Tariff.

Staff is performing cost allocation analyses for the \$75M (E&C) of projects in 2006 and 2007 which qualify as Base Plan Upgrades. Staff analyses will identify any “unintended consequences” which need to be addressed by the RTWG and others given its recommended approach and results regarding cost allocations.

ADMINISTRATIVE PROCESSES

SPP's administrative processes should continue to be reviewed and adjusted to assure efficiency in the stakeholder process/organizational group structure including interaction with the RSC and its working groups. Included in this review is the consideration of additional Board of Directors/Members Committee meetings on an as needed and practical basis.

The following steps should be taken:

1. SPP staff should encourage Director involvement in organizational group meetings to enhance understanding of issues, process, and diverse positions.
2. SPP staff and members should coordinate site visits for Directors to enhance industry and organizational knowledge.
3. Two additional Board of Directors/Member Committee meetings should be added annually focused on education and administrative process rather than business/action items.

STATUS

Directors are attending various organizational group meetings on a regular basis. Larry Altenbaumer has been designated as the Board representative to the MOPC. During the second quarter, several of the directors participated in the ISO/RTO Council Board Conference.

Several Directors have visited Member company sites; more visits are planned during 2006.

Two Board meetings were added to the annual calendar: one in June focused on education and training; another in December focused on organizational effectiveness/administration. The first education meeting was held in June. Feedback was very positive from both the directors and member participants.

RETENTION AND ADDITION OF PARTICIPANTS

SPP should focus on the retention of existing Members and addition of new and/or former participants in the organization, including members, customers, and state regulatory representatives. This will allow the organization to grow and develop as a service provider and strong leader for the region.

The following steps should be taken:

1. SPP Staff should pursue an analysis to improve understanding of the Charles River Associates cost/benefit study regarding the benefits of utilities participating in SPP for purposes of mitigating any perceived negative results.
2. SPP should consider and implement, as appropriate, waiver of withdrawal obligation fees for Large Retail Customer Members, Small Retail Customer Members, and Public Interest/Alternative Power Members so long as such a Member is not a Market Participant as defined in the SPP OATT.
3. SPP Staff should continue to develop customer services and programs for members and customers, such as reserve sharing, reliability coordination, and transmission coordination.
4. SPP Staff should place a priority on working with FERC for revision of the application of its annual fee, mitigating unfair impacts to RTOs.

STATUS

SPP and its affected jurisdictional members have made applications in Arkansas, Kansas and Missouri for the approval to transfer functional control of the member's transmission facilities to SPP. Included in these filings was the Charles Rivers Associates Energy Imbalance Services cost/benefit study. The Missouri proceedings are drawing to a conclusion with the MoPSC issuing an Order on June 13 approving the Stipulations and Agreements negotiated among the parties. A hearing was held on April 4 in Arkansas concerning the transfer of functional control and cost recovery associated with Base Plan projects arising from approved cost allocation plans. Receipt of an Order is pending. A hearing is scheduled for July 17 before the Kansas Corporation Commission. Questions on the Charles Rivers Associates cost/benefit study have to date been limited primarily to the discovery phase of the proceedings and have not proven to be the principle thrust of the Stipulation in Missouri or the hearing in Arkansas.

SPP filed revisions to the Bylaws to waive withdrawal obligations for the specified membership sectors. This filing was rejected by the Commission. A subsequent filing was made and has been accepted related to waiver of the annual membership fee.

A final order from FERC on Entergy's ICT proposal, including SPP serving as the ICT, is pending. SPP has completed an audit of Entergy's AFC calculation process, a preliminary step in assuming ICT responsibilities for Entergy. The audit report included ten recommended improvements and has been filed with FERC. SPP has been engaged in assisting Entergy in the implementation of those recommendations. FERC has issued an Order approving the implementation of the ITO for LG&E. SPP is developing systems and processes and will demonstrate system readiness for a July 10 decision for the September 1 start date.

There is some initial progress being made in the Regulatory Legislative Committee (RLC) of the ISO/RTO Council concerning an assessment of pre-RTO and post-RTO FERC costs, and a comparison of the FERC fees paid by RTO members versus non-members, and possible alternative approaches to the allocation of FERC fees.

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. Given the success with the development of regional transmission planning, SPP should consider other ways in which it can be a leader/facilitator/coordinator of regional solutions for regional issues, including generation planning, economic impacts of alternative energy sources and its development, and integrated resource planning.

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.

STATUS

The SPC has recommended that SPP provide incremental support in terms of additional services, and should proceed with a technical conference. SPP staff presented a draft technical conference agenda to the RSC during its April meeting; another draft will be discussed at its July meeting. Planned technical conference topics are weighted toward integrated resource planning.

LONG-RANGE PLANNING

The Strategic Planning Committee will approach strategic planning with a more long-term and proactive orientation in its upcoming meetings.

STATUS

The SPC held a retreat in June 26-28 to begin development of a longer term strategic planning for the organization. This plan will be presented at the October Board of Directors meeting.

DRAFT

July 13, 2006

**Note: This plan is designed as a
3-5 year plan for the organization
and should be reviewed accordingly**



Strategic Plan

July 25, 2006

**Developed by the
Southwest Power Pool, Inc.
Strategic Planning Committee**

Background

SPP developed its most recent Strategic Plan in July 2005. A component of that plan included the development of a new plan with a longer term view. This plan reflects that effort. The Strategic Planning Committee held a retreat June 26-28, 2006. Included in the planning retreat were members of the committee, SPP executive staff, Ric Abel (Prudential Capital Group) serving as a financial subject matter expert and outside participant, and Mark Rossi, serving as facilitator and electricity market subject matter expert (Gestalt).

Strategic Planning Committee

The Strategic Planning Committee is comprised of a diverse group of representatives from the SPP membership and the Board of Directors:

Richard Spring, Chair

Sr. VP, Transmission
Kansas City Power & Light

Mike Palmer

VP, Commercial Operations
The Empire District Electric Company

Ricky Bittle

Vice President
Arkansas Electric Cooperative Corporation

Mel Perkins

VP, Transmission
OG+E Electric Services

Michael Desselle

Director Public Policy
American Electric Power

Jim Stanton

Director, Market Design
Calpine Energy Services

Kevin Easley

General Manager/CEO
Grand River Dam Authority

Jim Eckelberger

Chairman, SPP Board of Directors

Tom Grennan

COO and Sr. VP
Kansas Electric Power Cooperative

Harry Skilton

Vice Chair, SPP Board of Directors

Joshua Martin

SPP Board of Directors

Bill Wylie (OGE) and Kurtz Stowers (Calpine) attended the June retreat.

Strategic Planning Process

The strategic planning process utilized by the SPC considered four basic questions: Where are we? What is going on outside the region? Where do we want to go? How do we get there? The group sought to develop goals for SPP to move forward, but doing so while retaining SPP's uniqueness in the industry and continuing to provide benefit to its members.

Where are we?

This data-gathering phase produced an understanding of where the organization is in relation to its environment with respect to both industry structure and SPP's relative position. This phase began with a reaffirmation of the organization's values - the principles that define SPP and have driven the decision-making processes of the organization. The SPC then reviewed SPP's organizational structure, governance, staffing and finances. This phase also included a review of the regulatory environments to which SPP members are subject at both the state and federal levels.

What is going on outside the footprint?

This data-gathering phase included a review of the Energy Policy Act and its impact on the industry as a whole, but particularly as it relates to standards setting and reliability compliance. In addition, the group considered the status of other ISO/RTO market developments in North America as well as several new initiatives. This phase concluded with a report on how all of these initiatives have impacted the financial and credit industry and its view of the electric utility business.

Where do we want to go?

The SPC is recommending actions specific to the following:

1. Communication and Education
2. Center of Excellence
3. Balancing Authority
4. Membership Development
5. Transmission Project Tracking
6. Transmission Expansion/Economic Upgrades
7. Market Development/Design
8. Contract Services

How do we get there?

The SPC recommends that, in addition to its work, SPP organizational groups assist in further investigation of certain detailed issues to make appropriate recommendations through the SPP organizational structure, culminating with approval of the Board of Directors and Regional State Committee.

SPP's Value Proposition

To provide guidance throughout the planning process, the SPC reviewed SPP's values - the principles that have driven its history and frame its future. These principles are very familiar to SPP members. The *SPP difference*, the values and principles that set this organization apart from other regional entities performing similar services, was affirmed by the SPC as the guiding principles of the organization.

Relationship Based

SPP dates back to 1941 when 11 utilities across seven states pooled their generation resources by constructing a regional transmission network to serve a critical defense plant in central Arkansas. This same organization continued to exist and grow to a peak membership of 78 entities without any legal recognition until it incorporated in December of 1993. Until 1998, the membership agreement consisted of a single paragraph obligating members to abide by the organization's bylaws. As in the past, relationships, rather than contracts, continue to keep this diverse organization together.

Member Driven

SPP's organizational structure of broad-based committees, working groups and ad hoc task forces is the true source of SPP's product. More than 360 persons are involved in SPP efforts that are driven by these groups. The rosters of these groups match the diverseness of the organization's membership, requiring representatives from across the footprint and recognizing the varying member types and sizes. It is this principle that promotes member ownership in the organization's products, reducing regulator interventions, and continues to keep SPP's staff size the smallest in the industry.

Independence Through Diversity

SPP membership has been one of the most diverse of any regional organization in the industry since its inception. With membership comprised of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, wholesale generators, and power marketers, any and all opinions are heard loudly and clearly in organizational group meetings. As a member-driven organization, meaningful stakeholder involvement has driven SPP's efforts and effectively balances diverse opinions. This independence has been further enhanced with the governance ultimately residing within an independent Board of Directors since 2004. In addition with the recognition of SPP as an RTO in 2004 the SPP Regional State Committee was formed adding an additional important formal layer of diversity.

Reliability & Economic/Equity Issues Inseparable

In 1968, SPP took on the responsibility of serving as a regional reliability council under the National (now North American) Electric Reliability Council (NERC). SPP members have long maintained that electric reliability issues cannot be debated in absence of economic/equity issues. This is why SPP, as a regional reliability council, undertook commercial tariff administration responsibilities and is implementing wholesale markets. History has shown that any attempt to separate reliability and economic/equity issues only results in the same people meeting in different venues with confusion over which organization should be attempting to resolve problems.

Evolution, Not Revolution

SPP was initially created for a much different purpose than that which it currently serves. Reliability remains at the heart of the organization. However, a deliberate evolutionary process has guided the growth in services delivered by the organization, resulting in a carefully staged maturation.

The Industry Today

The SPC discussed the current environment of the electric utility industry as a means to identify the key drivers that may impact SPP and its members. This section highlights some of the topics discussed.

The electric power system continues to be characterized as vital, while strides are being made to calm turbulence, remove uncertainty, and minimize risk and costs by establishing and stabilizing market rules. Industry participants are realizing that an aging infrastructure and a lack of system reliability go hand in hand, and that the transmission infrastructure must be upgraded to provide for economic growth as well as reliability. Many utilities are in a ‘back to the basics’ mode, focusing on reliability and cost/performance improvement, which is resulting in improved financial performance by many. Strides are being made toward increased regulatory certainty with a cultural change focusing on investment in an updated infrastructure and new, more efficient and affordable ways to “keep the lights on.”

The Energy Policy Act of 2005 has significant implications for the industry. Major goals of the Act include: 1) stimulate fuel diversity and innovation; 2) stimulate investment in transmission infrastructure; 3) sustain end-user efficiency; 4) reinforce the hybrid structure of the industry; and 5) broaden ownership of the power industry.¹ Direct impact for SPP originates in the expansion of the Federal Energy Regulatory Commission’s responsibilities to include mandatory reliability standards and enforcement, and siting authority in cases of national interest electric transmission corridors (NIETC). In addition to these same issues, there are broader implications to the members related to financing, tax incentives, and conservation.

The needs of the industry, particularly for transmission infrastructure enhancements and expansion, are capital intensive. While the capital markets can meet those needs today from a financial perspective, there are still numerous regulatory and political hurdles that must be overcome so that this infrastructure can be moved from the drawing board to in-service operation.

The role of markets in the industry continues to evolve. Many regions of the country have implemented some form of centralized market to facilitate the pricing and trading of various energy and ancillary service products and have had to address how these services and products meet the region’s reliability requirements. The following table summarizes the status of markets development in the Eastern Interconnection.²

	PJM	MISO	ISO NE	NYISO	SPP
Energy Market	Day Ahead and Real Time	Day Ahead and Real Time	Day Ahead and Real Time	Day Ahead and Real Time	Real Time
Transmission Rights	Financial	Financial	Financial	Financial	Physical
Ancillary Services	Regulation and Spinning Reserves	None	Forward Reserve and Regulating Reserve	Regulation, Spinning and Non-spinning Reserves	None
Resource Adequacy	Installed Capacity	None	Installed Capacity	Zonal Capacity Obligations	None

¹ Prudential Capital Group

² Gestalt

SPP Today

As an RTO, SPP facilitates reliability, markets and transmission services on behalf of its members, using the transmission systems of its members. SPP's members cover a 255,000 square mile region over all or part of eight states containing approximately 4 million customers. SPP currently has forty-six members, and its footprint includes seventeen separate control area operators that individually are responsible for matching electricity supply and demand within their territories. The peak electric demand in the SPP footprint in 2005 was 40,187 MW, 3.7% higher than in 2004.

Electric energy usage also increased. In 2005 it was 202.1 million MWh, an increase of 4.2% over 2004. Customers within the five largest control areas in SPP (American Electric Power West, Oklahoma Gas and Electric, Westar Energy, Inc., Southwestern Public Service Company, and Kansas City Power and Light) account for 72.1% of the total electric energy usage in SPP.

At the end of 2005, the total generating capacity in the SPP region was 55,023 MW, resulting in a significant resource margin (generation capacity in excess of peak demand) of 14,836 MW or 36.9%, presuming all generating capacity would be deliverable when the peak electricity demand occurs. Since 2000, there has been a significant amount of construction of new natural gas-fired generating plants. Of the total generating capacity in SPP, 54% is natural gas-fired; 92% of capacity in SPP is either coal- or natural gas-fired.³

In 2005, the Board of Directors approved a strategic plan that included six primary areas of focus:

1. markets development
2. transmission expansion
3. administrative processes
4. retention and addition of participants
5. enhanced regional planning
6. long-range planning

SPP has made significant progress toward these goals. The Energy Imbalance Service market is scheduled to go-live October 1, 2006, and work has begun on the next phases of market development. SPP members are investing almost a quarter of a billion dollars in transmission expansion projects to be completed in 2006-2007. In addition to reliability projects, members are sponsoring system upgrades to mitigate congestion and improve economic efficiencies. The Strategic Planning Committee has initiated an annual organizational effectiveness review, including data on each organizational group and a survey of members. This is presented at a Board of Directors meeting in December each year dedicated to an organizational review of the company. SPP continues to pursue new and expanded opportunities for membership. Enhanced regional planning will be further developed. Finally, this 2006 Strategic Plan was developed in response to the organization's desire to engage in a longer-term planning horizon.

³ *SPP 2005 State of the Market Report*, Boston Pacific (paragraphs 1-3)

The Outlook for SPP

This section highlights some of the major issues that are facing SPP and its members. These issues can impact or influence the business plans, effectiveness or efficiency of SPP and its members in providing reliable services to their respective customers.

Regulatory and Legislative Drivers

As a public utility, SPP is subject to the jurisdiction of the Federal Energy Regulatory Commission and the limited jurisdiction of some states' retail regulatory commissions. As such, state and federal regulators have significant impact on SPP's business, as can the state and federal legislatures. There is a high degree of turnover in these constituencies as some commissioners serve by appointment while others by election. Prior to the end of 2007, terms will expire for 48% of the commissioners who have authority over SPP and its members. Also, these commissions regulate much more than just the electric utility industry, including such complex industries as gas, water, telecommunications, and transportation. High turnover, steep learning curves, and numerous and diverse demands create a formidable challenge to developing and maintaining an adequate level of understanding of SPP and its values. This is particularly significant as members are under increased scrutiny and pressure to justify investments in the transmission system.

Human Resources

The pipeline of qualified technical resources electing a career in the utility sector is waning and causing a shortage in terms of human capital. This issue is not isolated to SPP's region and is impacting both SPP and its Members.

Mandatory Reliability Standards

The Energy Policy Act of 2005 requires both SPP and its Members to comply with new mandatory reliability standards as well as to address other technical issues such as demand side management, interval metering and investments in renewable resources among others.

Coordination of Regional Reliability

Maintaining and monitoring the reliability of the transmission system has become more regional in nature as the number of transactions involving multiple Balancing Authorities has increased. There are currently 17 Balancing Authorities within SPP. As the markets evolve within the region, it may be appropriate to consolidate the number of Balancing Authorities to facilitate a more efficient market.

Expansion of SPP Services and Cost Containment

There are a number of entities within the current geographic footprint or in neighboring jurisdictions and beyond that may look to SPP as a service provider for certain services. Implementing SPP's current mandates (from members and regulators) will put upward pressures on its costs and its administrative fees to its Members. Regional reliability can be hampered if there are too many seams within the region. The region should avoid a "Swiss Cheese" scenario.

SPP has made and will continue to make investments in its infrastructure to deliver its services to its Members. As noted above, these investments have a tendency to put upward pressure on the administrative fees to the Members. Some entities are interested in retaining SPP to provide certain services but are not interested in full SPP Membership at this time; this offsets some of that upward pressure. However, providing these services must be balanced with maintaining a high level of support to the SPP Membership.

Transmission Expansion

Although recent emphasis has been on establishing a sound transmission expansion and planning process, the region must also have in place a means by which to implement these plans and get the transmission facilities built. Members are under increased scrutiny and face significant hurdles in the approval and cost recovery process. The approval process is complicated and takes significant time and resources, which only adds to the delay in getting additional facilities built

In addition, the development and construction of economic upgrades has been hampered by a number of policy and technical issues. SPP's current policies do not easily permit non-Transmission Owners from investing in expansion of the transmission system. Ensuring cost-recovery (i.e. regulatory approval of cost recovery) and cost allocation (i.e. who pays for this facility) are two of the most significant barriers to moving economic upgrades forward particularly when the proposed project impacts multiple jurisdictions.

SPP Markets

While the current emphasis has been on implementing the Energy Imbalance Services market, the overall direction of market policy is not yet defined. This lack of overall policy may be causing uncertainty and a lack of confidence in the future of SPP's markets. The RSC has been given primary responsibility for the development of market-related transmission rights and resource adequacy requirements in the region, but has not yet addressed these issues explicitly. There is a concern that the overall implementation costs may be higher than necessary if a long-term vision and understanding of market design is not more clearly defined. That is, information systems may have to be unnecessarily redesigned if a piecemeal approach is taken.

The Strategic Plan

COMMUNICATION AND EDUCATION

In an effort to further enhance credibility and to align its mission with its members, SPP will have in place a systematic program to communicate with and educate the region's federal/state regulatory and legislative constituencies. The purpose of this is to build relationships and enhance credibility for the organization with these constituencies. This will allow SPP to better assist its members in advancing projects in the region.

The following steps should be taken:

1. SPP will develop a systematic approach to communicate and educate these constituencies.
2. SPP will continue to be proactive in assisting its Members on these fronts on issues that impact the region's transmission system or markets.

Assigned to: SPP Staff

CENTER OF EXCELLENCE

SPP will establish a Center of Excellence (COE) to leverage collective knowledge and provide thought, leadership and shared services to its members in areas such as: a) reliability; b) compliance programs; c) conservation and efficiency (IRP,DSM); d) best practices; and e) training. This will provide a significant point of differentiation for SPP as a regional organization.

The following steps should be taken:

1. SPP Staff will identify specific topics or areas of interest that may be topical for the COE, distribute these suggestions to stakeholders in an effort to broaden and prioritize the areas of interest, and collectively report to the Board of Directors the results of this survey.
2. The Board of Directors will then assist SPP Staff in establishing and measuring the progress being made in the selected topic areas.
3. An assessment will be made concerning the possible participation of a university (ies), interest groups, etc. as an integral part of the COE.
4. Assess availability of member R&D monies/staff to support the COE.

Assigned to: SPP Staff; Strategic Planning Committee members

BALANCING AUTHORITY

SPP will offer Balancing Authority (BA) services to its members to facilitate ancillary services market development and compliance efforts in the region.

The following steps should be taken:

1. SPP will offer Balancing Authority Services on a fee basis to any Member organization that wishes to enter into a contractual arrangement for the services.
2. SPP will continue to assist and evaluate alternatives that may lead to greater efficiencies within existing BAs including the possibilities of further consolidation of the number of BAs.

Assigned to: Operations Reliability Working Group; SPP Staff

MEMBERSHIP DEVELOPMENT

SPP will continue to pursue expansion of its membership and geographic footprint to further leverage its capabilities and lower costs.

The following steps should be taken:

1. The Board of Directors will receive a quarterly report from the President on Membership status, pending opportunities for Membership expansion and/or the provision of Contract Services.
2. Existing Members will be engaged in the recruitment of new members.
3. Develop a communications piece focused on the benefits of membership in SPP.

Assigned to: SPP Officers

TRANSMISSION EXPANSION/ PROJECT TRACKING

SPP will put in place a program to actively monitor and support the progress of approved transmission expansion projects, emphasizing the necessity to initiate, seek regulatory approval, construct and operate approved projects. Additionally, SPP will endeavor to find ways to streamline the processes necessary for the development and completion of transmission upgrades.

The following steps should be taken:

1. SPP staff will develop a tracking and reporting tool for transmission expansion projects.
2. SPP Staff will be proactive in its support of the Membership in terms of Project approval, siting and cost recovery.
3. SPP Staff will report to the Board of Directors annually on its evaluation of the processes, planning, approval and construction of needed transmission, emphasizing areas of strength and weakness aimed toward streamlining these efforts.

Assigned to: Transmission Working Group

TRANSMISSION EXPANSION/ECONOMIC UPGRADES

SPP will continue to identify potential economic upgrades and develop a more direct means to decouple the ownership and operation. SPP will endeavor to allow the recovery of the costs of approved economic upgrades through a regional rate.

The following steps should be taken:

1. SPP, through the Regional State Committee, will develop and implement a methodology to provide for the recovery of the cost of an approved level of economic upgrades through a regional transmission rate.
2. The adopted methodology will provide a mechanism that allows all interested parties to submit financing options so that the capital portion of the facilities requirements are provided in a reasonable and prudent manner.

Assigned to: Cost Allocation Working Group; Regional Tariff Working Group

MARKET DEVELOPMENT AND DESIGN

SPP will evaluate a comprehensive market services design for the region including the requisite cost/benefit studies. A strategic decision will then be made concerning further market services development in the region.

The following steps should be taken:

1. Prior to [date] a comprehensive market services assessment will be presented to the RSC and Board of Directors considering the next steps to be taken, estimated costs and a timeline for the evaluation.
2. No later than [date] the RSC and Board will approve the next steps; i.e. strawman approach, cost/benefit analysis and approach.

Assigned to: Market Working Group

CONTRACT SERVICES

SPP will continue to offer services on a contract basis in order to increase revenues, further membership in SPP, and enhance the quality of existing services.

The following steps should be taken:

1. SPP will continue to provide services to non-SPP Members that leverage SPP's existing infrastructure.
2. SPP will continue to evaluate these opportunities as they arise to ensure they fit within SPP's Mission and Value Statements and provide benefits to the existing SPP Members (in terms of reduced administrative fees).

Assigned to: SPP Contract Services Staff

Recommendation

The Strategic Planning Committee recommends that the SPP Board of Directors adopt the proposed Strategic Plan included in this report, and authorize the delegation of responsibilities to SPP organizational groups also contained herein under the coordination oversight of the Strategic Planning Committee and the Markets and Operations Policy Committee.



***Helping our members work together
to keep the lights on...
today & in the future***



FERC Order 888 NOPR

- **Les Dillahunty**
- **Vice President, Regulatory Policy**
- **Southwest Power Pool**

FERC Order 888 NOPR

Timing

- **August 7, 2006**
- **FERC wants filings within 90 days of a final rule.**
- **How will RTOs/ISOs be able to work through their stakeholder processes in that relatively short period of time?**



The Law

Under FPA 206, FERC may only require revisions to existing tariff provisions if it finds existing provisions are unjust and unreasonable and supports that conclusion by substantial evidence.

FERC has made no such findings in the NOPR that existing provisions are unjust and unreasonable.



- **The only specific statement in the NOPR is in Paragraph 17:**

“[T]ransmission customers have complained that even in RTO markets there are instances when comparable transmission service is not provided, particularly in the area of transmission planning.”



- **FERC's principal concern on issues such as ATC and planning are with transmission providers with affiliated generating or marketing arms that could engage in undue discrimination.**
 - **The Commission's NOPR, in fact, acknowledges that one currently available remedy – and one that addressed the Commission's targeted concerns – is for utilities to voluntarily join an RTO, where transmission facilities are independently operated on a non-discriminatory basis. NOPR at P 2.**

Basic Position

- **Unnecessary and costly to require RTOs/ISO to re-justify their tariffs**
- **RTO/ISO tariffs have been in place for many years, with a substantial number of tariff revisions that have been developed through the stakeholder processes, filed with FERC and protested and accepted by FERC (sometimes after compliance filings).**

Clarification

- **Does FERC intend for RTOs/ISOs to justify every tariff provision not contained in the final rule or only address new tariff provisions adopted by this final rule to the extent the RTO/ISO does not adopt the new position?**



Suggestion

- **As FERC may not be particularly receptive to providing RTOs/ISOs a free pass, we would propose an alternative proposal.**
 - **RTOs/ISOs would conform their tariffs to the final rule but any further burden to justify existing tariff provisions would be dependent upon a complaint being filed on a case by case basis.**



Available Transfer Capability (ATC)

- Paragraph 148

“We propose to address the potential for remaining undue discrimination in the determination of ATC by requiring industry-wide consistency and transparency . . .”

- Contrast this statement to Paragraph 211

“RTOs in the Northeast, Midwest and Southeast, as well as CAISO, provide for a coordinated and regional planning process with stakeholder input from each industry segment.”

Available Transfer Capability (ATC)

- Position

SPP ATC calculation is done on a regional basis and SPP coordinates with adjoining transmission providers.

- Concern

The sought after standardization may not adopt a standard that is compatible with SPP's method of calculation.



- **Paragraph 218**

FERC asked whether it should set forth principles for cost recovery and allocation of new facilities or address it on a case by case basis.

- **For example, should there be a 100% postage stamp rate?**
- **SPP cost allocation procedure suggests that this should clearly be a case by case analysis.**
- **SPP's planning processes are already FERC approved, involve stakeholders and regulators, congestion is identified annually, dispute resolution processes are in place, etc.**



Outside the Fence Issues




- **FERC has failed to address a significant issue.**
 - **Specifically, what, if any requirements should be imposed on transmission owners that sit outside of RTOs/ISOs?**



Price Caps
Redispatch Services
Rollover Rights
Penalties
DNRs
Reactive Power



Les Dillahunty
Vice President, Regulatory Policy
(501) 614-3215



RSC 7/17/06 Meeting
RTWG Report on Unintended
Consequences related to the
Allocation of Cost from the
Base Plan Upgrades.

Unintended Consequences

- **Attachment L, Section III.D.2**

For each SPP Transmission Expansion Plan, 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.

- **RTWG reviewed the results from the SPP TEP and found the allocation of costs between Zones to be inconsistent**

Unintended Consequences

- **Tariff currently describes that the 2/3 portion of the Base Plan costs be allocated to the local zone and surrounding zones on a Net Change MW-mile basis.**
 1. **The Net Change MW-mile method sums all the increased and decreased flows in each zone.**
 2. **This was done project by project**
 3. **It was found that Net Change MW-mile gives inconsistent answers**

MW-Mile Allocations for ReinMiller-Tipton Ford using Net Change MW-Mile

Cut-off	CLECO	SWPA	AEP	GRDA	OGE	SPS	WERE	KCPL	EMDE
Zero		12.8%		11.6%	46.6%		29.1%		0%
0.05 MW		12.8%		11.6%	46.6%		29.1%		0%
0.1 MW		12.8%		0%	55.9%		31.3%		0%
0.2 MW		0%		0%	70.6%		29.4%		0%
0.25 MW		0%		0%	55.3%		44.7%		0%
0.3 MW		0%		0%	40.9%		59.1%		0%
0.5 MW		0%		0%	0%		0%		100%
1.0 MW		0%		0%	0%		0%		100%

ReinMiller-Tipton Ford Analysis

- ReinMiller-Tipton Ford line is located in EDE, in the heart of Joplin.
- Because the new line both increases and decreases line flows in the host zone, the Net Change MW-Mile impacts tend to be very low.
- Also very sensitive to what “Cut-off” value of impacts you use.
- Same situation was observed on three other projects.
- SPP staff recommended using only the Sum of Positive MW-Mile impacts (decreased flows).

ReinMiller-Tipton Ford using Sum of Positive MW-Mile Impacts

Cut-off	CLECO	SWPA	AEP	GRDA	OGE	SPS	WERE	KCPL	EMDE
Zero	3.7%	6.0%	4.6%	4.2%	40.6%	4.2%	17.9%		15.6%
0.05 MW	3.7%	6.0%	4.6%	4.2%	40.6%	4.2%	17.9%		15.6%
0.1 MW		5.5%	4.7%	3.4%	50%		17.8%		18.6%
0.15 MW					62.7%		15.8%		21.5%
0.2 MW					63.5%		17.6%		18.9%
0.25 MW					61.0%		19.9%		19.2%
0.3 MW					55.1%		22.8%		22.2%
0.5 MW									100%
1.0 MW									100%

Sum of Positive MW-Mile Impacts

- **More consistent allocations between Zones.**
- **More reasonable allocations on a project-by-project bases**
- **RTWG then looked at the total impact between zones using the two methodologies.**

Comparison of Net Change MW-Mile vs Sum of Positive MW Mile

	Sum of Pos. Impact	Project Totals		Net Impacts	Project Totals
WERE	\$ 1,736,522	\$ 2,352,000	WERE	\$ 2,115,462	\$ 2,352,000
OGE	\$ 1,366,400	\$ 960,000	WFEC	\$ 712,062	
AEP	\$ 672,086	\$ 1,325,445	AEP	\$ 644,581	\$ 1,325,445
GRDA	\$ 539,188	\$ 360,000	OGE	\$ 568,863	\$ 960,000
SPS	\$ 333,313		SPS	\$ 357,568	
KACP	\$ 253,529		EMDE	\$ 347,448	\$ 643,000
EMDE	\$ 212,038	\$ 643,000	GRDA	\$ 298,917	\$ 360,000
WFEC	\$ 119,134		KACP	\$ 228,645	
MIPU	\$ 98,146		MIPU	\$ 97,016	
SUNF	\$ 57,687		SUNF	\$ 64,816	
SPRM	\$ 56,354		SPRM	\$ 33,702	
WEPL	\$ 53,543		WEPL	\$ 27,554	
MIDW	\$ 22,690		MIDW	\$ 23,993	

Comparison Results

- **WFEC had a big allocation under the Net Change MW-Mile allocation as opposed to the Sum of Positive.**
- **Reason was the Richards-Piedmont line**
 1. **An OGE line that is close to WFEC. \$4 million project**
 2. **WFEC gets 100% allocation under Net Change MW-Mile Impact.**
 3. **WFEC get only 4.83% allocation under Sum of Positive MW-Mile impacts. OGE gets. 86%**

RTWG Conclusion

At a July 5th conference call, the RTWG concluded the following:

- 1. The current methodology using Net Change MW-Mile impacts is flawed.**
- 2. The Sum of Positive MW-Mile method gives more realistic results.**
- 3. The RTWG wants to study this issue in more detail to see if additional changes are needed for future studies.**

RTWG Recommendation

- 1. The RTWG be directed to change the current Attachment S to use Sum of Positive MW-Mile impacts for Base Plan Zonal Allocations. (RTWG vote: 8 for, 3 against, 2 abstentions)**
- 2. These Changes be filed at FERC as soon as possible.**
- 3. The current set of Base Plan projects be allocated on this method after FERC approval of the change in methodology.**
- 4. The RTWG be charged with completing a more intense review of alternative methods of Zonal allocations and report back to the MOPC, RSC and BOD in their October meetings.**



Expansion in Process

Base Plan Upgrades being implemented, Cost Allocations being approved

Refinement of SPP Regional Planning & Tariff Studies underway to better integrate the processes.

Expansion – More than Reliability Projects.

- **Significant TO and Customer Requested Upgrades implemented in Spring 2006:**
 - **KCPL reconductoring LaCygne – W Gardner 345kV**
 - **Redbud sponsoring terminal upgrades at OGE Arcadia 345kV**

Actual Completed Projects

2005

SPP members completed numerous projects which represented a total investment in excess of \$140M.

May 2006

several important Requested Upgrades were completed:

- **KCPL LaCygne-W Gardner 345kV reconductor - \$12M**
- **Redbud funding terminal upgrades at OGE Arcadia 345kV substation - \$2.4M**

Numerous other upgrades being finalized prior to 2006 Summer load season.

2001-2004 Transmission Expansion in SPP

MAJOR PROJECTS >\$5M INCLUDE:

SPS	Holcomb-Finney-Potter in 2001	\$80M
KCPL	LaCygne-Stilwell reconductor in 2003	\$ 6M
OGE	Ft Smith Transformer in 2004	\$10M
SPS	Finney-Lamar line & Lamar HVDC in 2005	\$85M

A few large projects driven primarily by regulatory mandates

2005 Completed Projects Totalling \$140M

MAJOR PROJECTS >\$5M INCLUDE:

AEP	IPC Jefferson – Lieberman	\$ 5M*
GRDA	Tahlequah – Stilwell	\$ 5M
OGE	Draper Transformer	\$10M
SECI	Pioneer – Hugoton – Walkemeyer	\$ 6M**
SPS	Seven Rivers – Eddy County	\$ 7M
SPS	Floyd Tap – Lubbock East	\$ 9M
CELE	Wells Substation	\$25M**
AQUILA	S. Harper & Peculiar	\$21M**
Various	Attachment AA (see attached)	<\$ 1M*

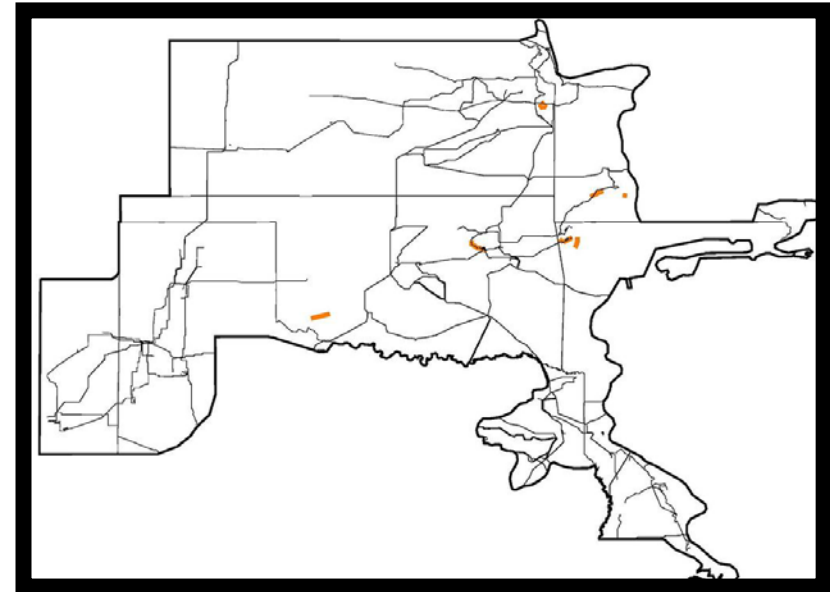
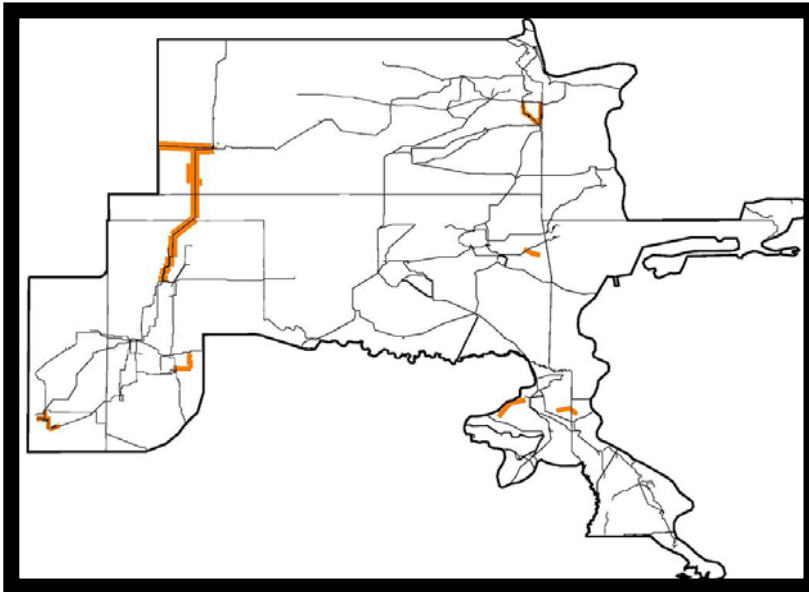
* Projects funded by specific Transmission Service Requests

** Projects in Plan but associated with non-OATT member

SPP Completed and Planned System 115kV – 345kV Improvements

Completed

Planned



Improvements 2000-2006

Excess of \$140M

- Holcomb – Finney – Potter – \$80M
- LaCygne – W Gardner 345kV – \$12M
- LaCygne – Stilwell reconductor – \$6M
- Redbud – Arcadia 345kV substation – \$2.4M
- Ft Smith Transformer – \$10M
- Finney – Lamar Line & Lamar HVDC - \$85M

Improvements 2006-2009

Planned Projects Total \$330M

AEP	Tulsa Area	\$48M
AEP	Pittsburg – Winnsboro – N. Mineola	\$19M
KCPL	Quarry-Cedar Niles-Hillsdale-Lackman	\$19M
AEP	Snyder-Altus Junction	\$17M
AEP	Hart's Island – Port Robson	\$16M
AEP	Chambers Spring-Tontitown	\$14M
EMDE	Riverdale-Ozarks	\$14M
KCPL	Paola substation	\$13M

Base Plan Projects Status

Area	Project Name	Cost	In-Service	Construction Pending		Under Construction		In-Service		ROW Required	Comments
AEPW	Line - Tontitown - Elm Springs REC 161 kV	\$ 640,000	03-May-06					X			In-service
AEPW	Device - Arsenal Hill	\$ 432,000	01-Jun-06					X			In-service
AEPW	Device - Catoosa	\$ 394,000	01-Jun-06					X			In-service
AEPW	Line - Carthage REC - Carthage T 138 kV	\$ 690,000	01-Jun-06					X			In-service
AEPW	Line - Siloam Springs - Chamber Springs 161 kV	\$ 6,627,225	01-May-07	S						*	ROW Pending. To Be Constructed 2007; SPP filing testimony in APSC Docket No 06-07-7-U
AEPW	Line - South Shreveport - SW Shreveport 138 kV	\$ 130,000	01-May-07	S							Project to be constructed in 2007
AEPW	Line - 53rd & Garnett N. Tap - Tulsa Southeast 138 kV	\$ 63,000	01-Jun-07	S							Project to be constructed in 2007
				D						*	Project shown as delayed indefinitely on latest TO submittal pending RFP; Finney Tap - Port Robson alternative project
AEPW	Line - Hart's Island - Port Robson 138 kV	\$ 16,379,600	01-Jun-07	D							Project to be constructed in 2007
AEPW	Line - Knox Lee - Oak Hill #2 138 kV	\$ 100,000	01-Jun-07	S							Project to be constructed in 2007
				S						*	ROW Obtained. Line Construction Complete End 2006, Terminals in 2007
EMDE	Line - ReinMiller - Tipton Ford 161 kV	\$ 3,215,000	01-Jun-07	S							Project to be constructed in 2007
GRDA	XFR - Stilwell City 161/69 kV	\$ 1,800,000	01-Jun-07	S							Project to be constructed in 2007
KCPL	Line - Tomahawk - Bendix 161 kV	\$ 528,600	01-Jun-06					X			In-service
KCPL	Device - South Waverly	\$ 706,000	01-Jun-07	S							Project to be constructed in 2007
KCPL	Line - Stilwell - Antioch 161 kV	\$ 1,561,000	01-Jun-07	S							Project to be constructed in 2007
MIPU	Line - Craig Interconnection	\$ 75,000	01-Jun-06					X			In-service
MIPU	Line - Nevada 161 - Nevada Plant 69 kV	\$ 151,300	01-Oct-06	S							Project to be constructed in 2007
OKGE	Line - Reno - Sunny Lane 69 kV	\$ 100,000	01-Jun-06					X			In-service
OKGE	Line - Richards Tap - Richards 138 kV	\$ 1,000,000	01-Jun-06					X		*	In-service
OKGE	Line - Van Buren AVEC - VBI 69 kV	\$ 50,000	01-Jun-06					X			In-service
				S						*	ROW Obtained; Construction to begin Spring 2007
SWPA	XFR - Norfork 161/69 kV	\$ 1,300,000	01-Jun-07	S							Project to be constructed in 2007
SWPS	XFR - Bailey Co 115/69 kV	\$ 2,200,000	01-Jun-06					X			In-service
SWPS	XFR - Denver City 115/69 kV	\$ 2,200,000	01-Jun-06					X			In-service
SWPS	XFR - Kress 115/69 kV	\$ 1,250,000	01-Jun-06					X			In-service
SWPS	XFR - Hockley 115/69 kV	\$ 2,200,000	01-Dec-06	S							Project to be constructed end of 2006
SWPS	XFR - Terry Co 115/69 kV	\$ 2,200,000	01-Jun-07	S							Project to be constructed in 2007
SWPS	XFR - Hale Co 115/69 kV	\$ 2,350,000	01-Dec-07	S							Project to be constructed in 2007
WERE	Line - Circle - Hutchinson Energy Center 115 kV	\$ 140,000	01-May-06					X			In-service
WERE	Line - Midwest Solvent Jct 1 - Atchison Jct 2 69 kV	\$ 35,000	30-Jun-06					X			In-service
WERE	Line - Morris - McDowell 230 kV	\$ 3,660,000	30-Jun-06					X			In-service
WERE	XFR - McDowell 230/115 kV	\$ 3,300,000	30-Jun-06					X			In-service
WERE	XFR - Butler 138/69 kV	\$ 3,000,000	01-Nov-06					S			Under Construction
WERE	Device - Clearwater	\$ 1,000,000	31-Dec-06	S							Project to be constructed end of 2006
WERE	Device - UDALL 2	\$ 525,000	31-Dec-06	S							Project to be constructed end of 2006
WERE	Multi - HEC - 43rd & Lorraine - Tower 33 69 kV	\$ 2,400,000	31-Dec-06	S							Project to be constructed end of 2006
WERE	Device - NE Parsons	\$ 1,000,000	31-Dec-08	D							Project pushed back to 2008
WERE	Device - Nortonville	\$ 564,000	31-Dec-08	D							Project pushed back to 2008
WERE	Device - Parsons	\$ 525,000	31-Dec-08	D							Project pushed back to 2008
WERE	XFR - Weaver 138/69 kV	\$ 1,200,000	On Hold	D							Project Status On Hold
WFEC	Device - Dover	\$ 90,000	01-Oct-06	S							Project to be constructed end of 2006
Total:		\$ 69,581,725									

3 line items added since April 12 MOPC Identified in Aggregate Study 1&2

AEPW	Line-East Central Henryetta-Weleetka 138kV	\$ 84,000	01-Mar-06					X			In-service
Total:		\$ 84,000									
Project status changed from OU to BPU based on additional data provided by TO											
OKGE	Line - NE Enid - Glenwood 138 kV	\$ 3,732,000	31-Dec-06					S		*	ROW Obtained. Under Construction
OKGE	Line - Razorback - Short Mountain 69 kV	\$ 4,791,277	31-Dec-06					S			Under Construction
Total:		\$ 8,523,277									
Grand Total:		\$ 78,189,002									

Footnotes:

- S** Project On Schedule
- D** Delayed *Note: Information on Deferred projects currently being solicited from the T.O.*
- C** Cancelled
- X** Project Complete

SPP Technical Conference

Draft

Proposed Dates

- October 30
- November 3

Proposed Location

- DFW Hyatt: Dallas, TX

Proposed Agenda

I. Regulatory Overview

- FERC/State make-up today vs. terms, vacancies
- SPP Footprint State Issues
- FERC Hot Buttons
 - ERO
 - National Corridors
 - Long Term FTRs
 - RTO
 - ISO
 - ICT
 - Where things might be headed?
- FERC's Market Monitoring Role
- FERC's Interest in RTO Cost Comparison
- Update on the status of the Reliability Entity (RE) approach being proposed for SPP
- Compare SPP with other regional organizations in terms of approach; breadth/scope of regions; seams management; types of investments (i.e., reliability vs. economic investments).
- SPP straw man that could address the conceptual transmission alternative cost and implications of sourcing from alternative DNRs.

Speakers

- Les Dillahunty (SPP)
- SPP FERC Counsel

II. Economist / Analyst

- What are energy prices today? Where might they go?
- Who controls the oil from the international perspective?
- Can we conserve? If so, at what price?
- Evaluation of nuclear and wind options in the SPP footprint

- Is technology or coal gasification going to dramatically change the landscape?
- Is electric utility deregulation static?
- What is the role of rate design? What is its impact on generation and transmission expansion?

Possible Speaker

CRA's Richard Tabors. He is an expert in energy markets both domestic and international, would provide an overview of the status of energy markets in the U.S. and the response of those markets to changing fuel conditions. Dr. Tabors, working with Ellen Wolfe and other CRA staff could also report on the unique characteristics of SPP that affect likely nuclear and wind siting.

III. Transmission Planning & Market Development

- How does SPP compare with other regional organizations in terms of approach? Participant funding?
- Are economic upgrades tested as reliability upgrades in other RTO's?
- Will the complexity of SPP's cost allocation cause us to re-think the approach and move to something that suggests we roll-in all new transmission as a means to address the simplification of the cost structure and the feeling of some that economics and reliability are inseparable and as such paid for in the same manner.
- Does SPP incorporate utility generation plans in their plans for assessing transmission needs? If so, how is this question approached? Do other regions? If so, how?
- What are the prerequisite elements that would need to be in place in order for the RTO to facilitate integrated regional planning (i.e., provide a consultative role to state regulators)?
- Where is SPP in Market Development?
- What are the issues facing those markets, implementation, and uplifts?
- Do we believe that Day 2 is a steady state for a while as these systems are tried, tested, and operated or are there indications of new initiatives?
- Ancillary Services Cost Benefit Study
- Business structures
 - RTO
 - ICT
 - ITC

Speaker

Mark Rossi (Gestalt)

IV. What Studies Don't Tell You

- What is the status of the current SPP Strategic Plan?
- What is the result of SPP's June 2006 Strategic Planning effort?
- What is the status transmission expansion?

- List of projects that are in service and near term projects
- Base Plan Projects Update
- Aggregate Study Results
- CAWG/RTWG/MOPC Tariff evolution
- Resource Adequacy
- Competitive Analysis

Panel

- Les Dillahunty (SPP)
- Jay Caspary (SPP)
- Mike Proctor (Missouri Public Service Commission)

V. Demand Side Management & Generation/Transmission Alternatives

- What does this mean for SPP?
- What is the potential market size for demand response in SPP, particularly what amount of industrial/commercial load could readily participate?
- How can rate design help conserve energy, shave peak load, provide for demand response?
- What does FERC require in demand response markets?

Possible Speaker

Randy Gunn (Summit Blue Consulting, LLC)

VI. Next Steps

- How does this fit together into the evolution of SPP and its members?

Possible Speaker

Gerrud Wallaert (SPP)



1000 Center St.

Little Rock, AR 72201

**Southwest Power Pool
REGIONAL STATE COMMITTEE
Cox Convention Center, Oklahoma City, OK**

April 24, 2006

• M I N U T E S •

Administrative Items:

Members in attendance or represented by proxy were:

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

There were 43 in attendance (Attendance – Attachment 1). Others in attendance via phone:

- Adrainne Brandt, Public Utility Commission of Texas
- Bridget Headrick, Public Utility Commission of Texas
- Tom DeBaun, Kansas Corporation Commission
- Ryan Kind, Missouri Office of the Public Counsel
- Walter Wolf, Stone, Pigman, Walther, Wittman, LLC
- Keith Tynes, Southwest Power Pool
- Alan Derichsweiler, Western Farmers
- Terri Eaton, Xcel Energy

President Bode called the meeting to order at 1:05p.m. Cheryl Robertson called roll and a quorum was declared. President Bode asked for adoption of the January 30, 2006 meeting minutes (RSC Minutes 1/30/06 – Attachment 2). **Vice President Parsley moved to adopt the January 30, 2006 minutes. Mary Cochran seconded the motion. Hearing no objection, the minutes were approved by acclamation.**

Updates:

RSC Financial Report

Les Dillahunty (SPP) presented the RSC Financial Report (RSC Financial Report – Attachment 3). Mr. Dillahunty reported that the RSC remained well under budget. He stated that expenditures included in the Budget report for February 2006 in the Outside Services category were expenditures associated with the state proceedings associated with the applications for the transfer of functional control that are not directly RSC cost and that those charges will be moved to general SPP expenditures.

RSC Officer Reports

President Bode asked for updates from the RSC officers. Vice President Parsley provided information regarding a recent ERCOT rotating outage. Problems occurred during an extraordinary period of hot weather when numerous units were off line for routine maintenance and the sudden loss of four units resulted in curtailments, calling attention to inadequate notification procedures for state and local officials. She asked what emergency response notification procedures SPP had in

place and if they were adequate. Nick Brown stated that SPP meets the NERC recommendations; however, SPP has already formed a team to update the corporate response plan. ERCOT's experience will be reviewed for lessons learned.

FERC Update

Tony Ingram provided an update on FERC activities. Mr. Ingram introduced Mike McLaughlin, FERC Director of Central Division Energy Markets and Reliability. He then updated the group on SPP FERC activities:

- SPP received a conditional External Market Monitor agreement requiring compliance action.
- A technical conference on ER06-432 was held on April 10. Comments are due April 25 and reply comments are due May 8.
- A conditional order was issued allowing LG&E to withdraw from Midwest ISO and SPP to perform tariff duties.
- A conditional order was issued granting SPP Entergy ICT status extending the contract to four years.

General information included:

- Order 670 states rules of certification to qualify as a Regional Entity. NERC filed for ERO status, which is still pending.
- RMO-16 issues reliability standards proposed by NERC.
- Friday, May 28, MISO is having a Cost Allocation Technical Conference. Mr. Ingram noted that the RSC and SPP have established a lead in this area.

President Bode then asked for a round of introductions including those joining via phone.

Business Meeting:

Kansas Electric Transmission Authority

Larry Holloway (KCC) was asked to provide a Kansas Electric Transmission Authority (KETA) overview (KETA Presentation – Attachment 4). The KETA consists of seven members; two from each of the house and senate and the balance is appointed by the governor. KETA plans to join an RTO, is not FERC jurisdictional, and hopes to benefit Kansas customers. Legislation has passed concerning KETA, the governor has approved KETA, but there is still no money allotted to fund the associated administrative responsibilities.

SPP Report

Nick Brown (SPP) was asked to provide his SPP report. Mr. Brown stated that the FERC order on the Energy Imbalance Market was issued March 20. Although there was disappointment in not being granted the May 1 operational milestone, there was relief to be able to test and perfect the Market as the result of the delay. SPP was directed to delay going live until no earlier than October 1, 2006. SPP committees and working groups are working on required revisions and clarifications. Special meetings of the Markets and Operations Policy Committee and the Board of Directors on May 16 and May 17 in Dallas were scheduled to respond to the compliance filing, May 19.

Mr. Brown reported that SPP filed ERO05-1416 in November 2005 requesting a rehearing, which limited customer's right to rollover firm transmission. Mr. Brown thanked the Oklahoma Corporation Commission for their support by also filing in support of SPP's position in this case.

A FERC Technical Conference was held in February regarding economic dispatch. Mr. Brown

thanked the RSC members and others who attended and added support for SPP. Finally, Mr. Brown asked for comments to assess how the RSC and SPP were doing. Much has been accomplished together: cost allocation, regional solutions, and a plan to build transmission.

Cost Allocation Working Group

Mike Proctor (MOPSC) was asked to provide an update on the Cost Allocation Working Group (CAWG Report – Attachment 5). Dr. Proctor provided a summary and key changes to the SPP Large Generator Interconnection Agreement (LGIA). He then reported on the CAWG review of Attachments J and Z (Attachment J and Z Report – Attachment 6). Proposed changes will be sent to RTWG for Tariff language. Dr. Proctor presented the scope of the Base Plan Guidelines Task Force (BPGTF): Develop Base Plan guidelines for consistent and equitable classification of projects, and identify potential changes to SPP Criteria or SPP Tariff to implement the guidelines for Base Plan funding. **Dr. Proctor presented the following resolution for approval:**

The SPP Board should not approve the SPP Base Plan Upgrade List until a stakeholder review of the proposed projects has been completed.

Following discussion, Commissioner Steve Gaw offered an amended resolution and moved for approval:

The SPP Board of Directors should approve or disapprove the SPP Base Plan Upgrade List in the Board materials for projects only after a stakeholder review of the proposed projects has been completed. This should be done expeditiously.

Treasurer Moline seconded the motion, which passed unanimously.

Kansas House Resolution No. 6005

Les Dillahunty reviewed the Kansas House Resolution No. 6005 that urged SPP to recognize the reliability component and value of economic transmission projects and to consider adopting an approach that would fund 80% of these projects in the Base Plan (House Resolution No. 6005 – Attachment 7). Treasurer Moline joined SPP in being compliant with the Resolution's urging that this matter be brought to the attention of the RSC. No action was taken at this time but the RSC was reminded of the progress being made in the modifications to Attachments J & Z that would do more to encourage the development of economic projects.

New Mexico Attorney General & the LPSC vs. FERC; U.S. Court of Appeals

Les Dillahunty reviewed the New Mexico Attorney General and the Louisiana Public Service Commission filing with FERC regarding SPP's RTO status (Case No. 04-1398 c/w No. 04-1399 – Attachment 8). SPP will be entering a brief on April 25 and will remain actively involved.

Electric Reliability Organization Status

Les Dillahunty provided information on SPP becoming a Regional Entity (RE). FERC issued an order allowing SPP to be both an RTO and an RE if there is sufficient proof of separation. SPP is dealing with this issue and asked consideration of the following resolution:

The SPP Regional State Committee (RSC) members hereby recognize the importance of ensuring appropriate separation and having adequate safeguards for the Regional Entity (RE) functions from other non-statutory functions performed by SPP. The RSC members also recognize the efficiencies SPP continues to realize in managing reliability within a combined RTO – RE organization for the benefit of consumers and bulk power system users in the participating SPP RSC member states. The SPP RSC therefore supports SPP’s activities in pursuit of Regional Entity status under a single organization and believes SPP can continue to effectively and efficiently administer Bulk-Power System reliability as a FERC recognized Regional Entity.

Vice President Parsley moved to approve the resolution. Mary Cochran seconded the motion. The motion passed with Commissioner Gaw abstaining.

Base Plan & Aggregate Study

Les Dillahunty provided an overview of the SPP Base Plan Upgrade list and aggregate study (Base Plan Upgrade & Aggregate Study – Attachment 9). Mr. Dillahunty presented data and annual revenue requirements responsibility by zones. The data indicates that in the 2006 and 2007 Base Plan Project List every state is a beneficiary of Base Plan Funding with the exception of New Mexico and Mississippi where no projects have been proposed. He also reviewed the aggregate study process and results per OATT Attachment Z.

EIS Order Confidentiality Provisions

Les Dillahunty provided information regarding the EIS Market Order confidentiality provisions (EIS Confidentiality Provisions – Attachment 10). FERC has directed SPP to file a non-disclosure agreement as part of the compliance filing adopting similar provisions as Midwest ISO and PJM. The FERC proposed Tariff language will be adopted for the May compliance filing.

Draft Agenda for Fall Technical Conference

Les Dillahunty stated that SPP is proposing a Technical Conference on Regional Resource Planning in the fall of 2006 (SPP Technical Conference – Attachment 11). This conference is budgeted but the date is yet to be determined. Mr. Dillahunty requested that the RSC confirm an agenda. President Bode instructed Joyce Davidson to hold a conference call to discuss an agenda and prepare a draft for the July RSC meeting.

Ancillary Services Cost Benefit Study

Carl Monroe provided an update on the Ancillary Services cost benefit study. The Ancillary Services Market needs to be designed and defined before the cost benefit study. SPP Staff will run the study and needs to determine if a vendor is required. The MOPC has set a schedule to conduct the study the first quarter of 2007 with the Energy Imbalance order the second quarter of 2007.

EIS Market Implementation

Carl Monroe (SPP) provided an update on the EIS Market implementation. Mr. Monroe stated that there were approximately 40 issues to address with many requiring as little as writing Tariff language from Market Protocols and certifying readiness. Testing is taking place on some systems with a few anticipated changes (trying to keep small in scope) before the October 1

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date. Training is on going and everyone is working on the response to the 60 days compliance filing.

Scheduling of Next Regular Meeting, Special Meetings or Events:

President Bode noted that the next regularly scheduled RSC meeting is in Kansas City on July 24, 2006. Scheduled meetings and locations for the balance of 2006 are stated in Attachment 12 (Remaining 2006 RSC and SPP Board Meetings – Attachment 12). The annual meeting is October 23 in Tulsa, OK.

With no further business, the meeting was adjourned.

Respectfully Submitted,

Les Dillahunty