



**SOUTHWEST POWER POOL
COST ALLOCATION WORKING GROUP
Teleconference
September 8, 2006**

• M I N U T E S •

Attendees:

The following attended the meeting via teleconference:

Larry Holloway, Kansas Commission Staff
Joyce Davidson, Oklahoma Commission Staff
Adrienne Brandt, Texas Commission Staff
Mike Proctor, Missouri Commission Staff
Greg Meyer, Missouri Commission Staff
Richard House, Arkansas Commission Staff
Tom DeBaun, Kansas Commission Staff
John Mills, Southwest Power Pool
Pat Bourne, Southwest Power Pool
Roy Sundman, Southwest Power Pool
Heather Starnes, Southwest Power Pool

The meeting was called to order By John Mills at 9:05

Agenda Item 1 – Discuss the Attachment J Waiver Factors for consideration in evaluating Waiver Request

The first item for consideration was the factors for consideration in evaluating waiver requests found on page 163D of the tariff. The CAWG discussed, item i); Insufficient competitive resources. The Kansas staff questioned if GSEC had identified any other resources beside the Holcomb plant. The CAWG agreed GSEC should provide SPP a basis for the lack of competition with definite information such as competitive bid or analysis of other resources. GSEC should not just use Holcomb as the answer.

The Missouri staff asked if SPP has been provided an understanding of GSEC's ownership in Holcomb along with an understanding for the basis for 30-year reservation. SPP has only been issued the reservation request, but there is a general understanding that GSEC may be a part owner of Holcomb and the basis for the 30 year reservation may be due to financing.

Agenda Item 2 – Discuss the two (2) Waiver requests in accordance with Factors specifically (ii)

The CAWG discussed item ii) which deals with a waiver request based on greater than 5-years. Missouri staff suggested a straw man to use 1% for each year >5 – GSEC = 25% OGE = 20%. SPP noted this must be defensible to the Market Operations Policy Committee (MOPC) and the Board of Directors (BOD). SPP will take the suggested 1% under consideration.

Based on the OGE wind farm the CAWG discussed net dependable capacity as found on page 163B of the tariff. The CAWG agreed it was not sensible to use the nameplate capacity for the basis of the “Safe Harbor Cost Limit” calculation for wind farms even though the study required upgrades based on nameplate. Oklahoma staff asked what fact has SPP been using for wind farms. SPP uses 10% for the net dependable capacity when no data is provided in accordance with criteria 12. OGE provided SPP with 8%. The Missouri staff suggested that SPP prepare a paper on how to deal with net dependable capacity and answer why this factor was used. SPP noted that net dependable is used in the tariff as the dependable capacity during the system peak and for reliability requirements.

The CAWG discussed the original existence of \$ 180,000/MW. The Missouri staff thought it had to do with an SPP Ave/zone. SPP will review this but thought it was an SPP foot print average. [SPP after the meeting confirmed the \$ 180,000/MW was an approximation of the SPP system average. The average was actually lower but SPP increased the cost/MW to reflect a higher cost for new transmission. The value represents a total transmission expansion for the transmission request and not a single line. Therefore it does not matter if it crosses zones. For large transmission such as the “X” plan there are benefits to a larger number of customers and the impact gets diluted.]

The Missouri staff suggested a straw man of doubling the “Safe Harbor Cost Limit” for the GSEC waiver due to two zones. Arkansas staff questioned doubling vs. 1.5. SPP noted it must be defensible to MOPC and the BOD. SPP will take the recommendation for doubling based on two zones under consideration if the “Safe Harbor Cost Limit” was based on a zonal approach. [Based on SPP research noted above the straw man to double the “Safe Harbor Cost Limit” for the GSEC waiver due to two zones is not applicable.]

The Missouri staff requested an understanding of the cost/mile for the addition of transmission lines associated the “X” plan.

[SPP after the meeting looked at the western half of the “X” plan as identified in the most current Aggregate Study for this cost. The western half of the “X” plan transmission lines as identified for the latest Aggregate Study is approximately 580 miles of 345 kV line estimated at a cost of \$ 232,310,000. This includes transformers and terminal equipment. Using this total cost the average cost/mile is approximately \$ 400,500/mile.]

Agenda Item 3 – Discuss the Connection with RSC based on tariff requirements of SPP to send recommendation to MOPC and review and submittal to SPP Board if directors within 120 days.

The CAWG agreed that the RSC did not need to specifically be in the decision of the waiver but liked the inclusion of the discussions as was accomplished today.

Adjournment:

The meeting was concluded at 10:25 a.m.

Respectfully submitted,
John Mills, SPP Staff