



590 S. Buchanan St.
Amarillo, Texas 79101

July 21, 2017

To: Southwest Power Pool Board of Directors

SPS Comments in Support of RR172 – Zonal Placement Proposal

SPP member Southwestern Public Service Company (“SPS” or “Xcel Energy”) would like to express our support for the Revision Request 172 – Zonal Placement Proposal. The proposal is consistent with the SPP Zonal Placement Straw Proposal as approved by the Strategic Planning Committee and will provide increased transparency and protect new and existing SPP customers from cost shifts due to the zonal placement of an Applicant Transmission Owner’s (ATO) revenue requirement.

Based on recent FERC cases, including SPS’s and other Xcel Energy operating company experiences, the existing zonal placement process is problematic and inevitably leads to litigation. This is both a financial and resource burden to all parties including SPP. Money and resources could be better spent on more productive endeavors. This is an issue that needs to be addressed.

Fundamentally, SPS/Xcel Energy believes that existing legacy facility costs should be recovered from legacy customers that caused them to be built and therefore zonal placement of an ATO’s revenue requirement should not be detrimental to an existing SPP transmission owner’s customers or be an incentive to join SPP. All cost shifts have winners and losers. SPP should minimize gaming opportunities that allow one entity to push costs to others. SPS urges the Board of Directors to direct SPP to incorporate cost shift minimization or mitigation concepts in any “zonal placement” design.

RR172 is a reasonable compromise that addresses cost shifts due to zonal placement of an ATO’s revenue requirement. As proposed, the cost mitigation methodology provides a clear pathway for integration of an ATO’s revenue requirement into an existing pricing zone. The proposal establishes a minimum cost mitigation threshold of 2% or \$1 million where costs shifts above the threshold are mitigated until the threshold is reached. Furthermore, the proposal would provide advanced notice of an ATO’s intent to join SPP to all parties which will increase transparency for all parties.

SPS/Xcel Energy is submitting these supporting comments to the SPP Board of Directors for their consideration in approving the RR172 – Zonal Placement Proposal.

Please feel free to contact me with any questions regarding these comments.

Sincerely,

William Grant
Regional Vice President – Regulatory and Strategic Planning
Southwestern Public Service Company