



Southwest Power Pool, Inc.
MARKETS AND OPERATIONS POLICY COMMITTEE
Recommendation to the Board of Directors
On Attachment J Waiver Requests
January 30, 2007

Organizational Roster

The following members represent the Southwest Power Pool Staff:

Leslie E. Dillahunty, Vice President, Regulatory Policy

Patrick Bourne, Director, Transmission Policy

Jay Caspary, Director, Engineering

John Mills, Manager, Tariff Studies

Heather Starnes, Attorney

Background

Attachment J of the SPP Tariff addresses recovery of costs associated with new transmission facilities. Subsection III of this section addresses Base Plan funding for network upgrades, including the Safe Harbor Cost Limit of \$180,000/MW, and provides for waivers, whereby application may be made for additional Base Plan funding for a network upgrade in excess of the Safe Harbor Cost Limit based on three independent factors.

On October 13, 2006, SPP received a request for waiver under Attachment J of the SPP Tariff for costs in excess of the Safe Harbor Cost Limit for Base Plan Funding for the Rose Hill-Sooner 345 kV project of Westar. SPP's 120-day deadline under Attachment J is February 10, 2007.

Analysis

Westar's requested a waiver based upon Section III.C.2.ii of Attachment J and a reservation of 20 years. While other alternatives to this project were considered, their benefits proved to be local and short-term in nature. Westar and SPP staff agree that the regional and long-term benefits offered by this project, the increase in wholesale competition resulting from this project, and the commitment by OG&E, PSO and OMPA to build the largest coal-fired generating unit, Red Rock, adjacent to the Sooner station justify full Base Plan funding for the entire project.

Recommendation

The recommendation of SPP staff is to provide a waiver of such extent that this project is fully Base Plan funded.

Approved: Approved by MOPC on 01/26/07 with six abstentions (OMPA, Redbud, ETEC, KCPL, TEXLA, Lafayette Utilities)

Action Requested: Approval by Board of Directors

Attachment: Westar Waiver Letter, CAWG Recommendation to MOPC



October 13, 2006

Mr. John Mills
Southwest Power Pool
415 N. McKinley, 140 Plaza West
Little Rock, AR 72205

Subject: Request for a waiver per Attachment J of the SPP OATT for OASIS #1086655

Dear Mr. Mills,

The purpose of this letter is to formally request a wavier under the SPP Tariff for OASIS Request 1086655 as provided by Attachment J. This wavier request is made in accordance with Section III.C.1 under Attachment J.

Section III.C.2.ii provides for a wavier based on the term of service exceeding the minimum requirement of 5 years, this specific request has a term of service for 20 years.

Section III.C.iii (ii) provides for a waiver if the associated network upgrades provide benefits to other transmission customers that would offset, in less then five years, any costs allocated to them as a result of the upgrade being classified as a Base Plan Upgrade. It would appear with the results from the October 6, 2006 SPP-2006-AG2-AFS-2 posting that the SPP has added and/or replaced facilities that are over and above the upgrades required to just accommodate the request within this aggregate study. These new upgrades are designed not only to accommodate this request, but also accommodate future planning scenarios.

The cost increases from the October 6, 2006 study appears to be from replacing lower voltage facility upgrades with much higher voltage facilities. While Westar Energy may agree that the latest proposed projects could be the best long-term solution for the SPP, it appears that the change in these projects is being driven more from a planning perspective instead of being driven by the least cost solution to fulfill the request within the study. Westar should not be liable for the additional costs associated with these new projects since lower cost solutions exist. If the SPP still determines that these new projects are in the best interest of the SPP, the additional costs between the lower cost alternatives and the optimal ones should not be allocated to Westar.

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Westar Energy requests that the SPP grant a waiver for our OASIS request number 1086655. This request is based on the facts that our request is for a minimum of 20 years and the facilities now being identified in the study will provide substantial benefits for many SPP members' future requests and are above and beyond the upgrades necessary to grant transmission service.

Thank you in advance for your time in this matter. Please let me know if you need any additional information.

With kind regards,

A handwritten signature in black ink, appearing to read "J. P. Olsen". The signature is written in a cursive style with a large initial "J" and "P".

John P. Olsen
Executive Director,
Power Marketing
785/575-8078



Southwest Power Pool, Inc.

COST ALLOCATION WORKING GROUP

Recommendation to the Markets and Operations Policy Committee

On Attachment J Waiver Requests

January 26, 2007

During the CAWG meeting January 24, 2007 Jay Caspary, SPP staff, presented an overview of the Westar waiver. Discussion preceded the unanimous vote of support for the waiver by the five RSC states, present or participating in the discussion. The CAWG recommends to the MOPC that the Westar waiver associated with Transmission Service Request, reservation 1086655 designated as the Spring Creek 225 MW DNR to increase the Base Plan funding required by building the Rose Hill – Sooner 345 kV upgrade from \$40,500,000 to an estimated engineering and construction amount of \$54,788,600 be approved.