



CAWG MEETING
Feb. 21, 2007
Hyatt Regency DFW
Dallas, TX
11:00 am – 5:00 pm

AGENDA

- | | |
|---|---------------|
| 1. Introductions | 11:00 - 11:10 |
| 2. Cost allocations for the STEP Appendix B
Sum of the positive impacts only approach for MW-MIs
Unintended Consequences Review
Discussion Lead by Jay Caspary | 11:10 – 12:00 |
| 3. Lunch Break | 12:00 – 12:45 |
| 4. Undesignation of Resources
SPP Aggregate Study Summit
Discussion lead by John Mills | 12:45 – 1:15 |
| 5. Waiver Discussion <ul style="list-style-type: none">• OMPA Turk Coal Unit - Robert Shields• AECC Turk Coal Unit – Gene Anderson• EDE - Bary Warren | 1:15 – 3:15 |
| 6. 15 minute break | 3:15 – 3:30 |
| 7. Transmission Expansion Issues <ul style="list-style-type: none">• Economic Upgrades• Process, Tech. conferences with the RSC, Forums, etc Discussion lead by Mike Proctor | 3:30 – 5:00 |



Unintended Consequences for Base Plan Upgrades in the STEP

February, 2007

IZCATF Methodology

The Inter-Zonal Cost Allocation Task Force reviewed the Net Change MW-Mile methodology for allocating the 67% Zonal Base Plan funding component, as currently described in the SPP OATT, and recommended that SPP adopt a methodology which is based on the “sum of the positive impacts only” for MW-MIs with a minimum E&C allocation of \$100k. The MOPC and BOD approved these recommendations along with the associated tariff language changes from the RTWG.

2006-2008 Base Plan Upgrades Summary

ZONE	Number of Projects				E&C \$ (Millions)			
	Direct Assigned	No MW-Mi	MW-Mi	Total	Direct Assigned	No MW-Mi	MW-Mi	Total
AEP	8	9	2	19	\$ 0.6	\$ 5.3	\$ 27.6	\$ 33.6
GRDA	-	-	1	1	-	-	\$ 1.8	\$ 1.8
OKGE	3	2	5	10	\$ 0.2	\$ 0.4	\$ 15.2	\$ 15.8
WFEC	2	7	1	10	\$ 0.2	\$ 5.5	\$ 12.0	\$ 17.7
SPS	-	15	2	17	-	\$ 33.2	\$ 2.0	\$ 35.2
MIDW	-	1	-	1	-	\$ 0.5	-	\$ 0.5
SUNF	-	-	-	0	-	-	-	\$ -
WESTAR	1	16	5	22	\$ 0.0	\$ 13.4	\$ 15.6	\$ 29.0
WEPL	-	1	-	1	-	\$ 0.1	-	\$ 0.1
MIPU	1	2	1	4	\$ 0.1	\$ 1.9	\$ 0.5	\$ 2.5
KACP	-	3	-	3	-	\$ 2.0	-	\$ 2.0
EMDE	1	-	2	3	\$ 0.0	-	\$ 17.3	\$ 17.3
SPRM	-	-	-	0	-	-	-	\$ -
TOTAL	16	56	19	91	\$ 1.1	\$ 62.4	\$ 92.0	\$ 155.5

2006-2008 Base Plan Upgrades in STEP

Includes all base plan reliability projects in SPP

- New projects based on 2006-2016 STEP analyses
- April 2005 Board Approved Plan (adjusted)
- Reliability projects from Aggregate Studies

91 Projects & \$155.5M E&C Costs

Details available on worksheet:

- “Base Plan Upgrades - Cost Allocation_2_16_07.xls” in tabs:
 - “2007 Q1 Project List” and
 - “2006 Apprv Base Plan List”

Direct Assigned Projects

Allocation Methodology

- All ATRR assigned to host zone

2006-2008 Subtotals

- 15 projects
- \$1.1M E&C Costs

No MW-MI Impacts

Allocation Methodology

- 33% Regional and 67% to host zone

2006-2008 Subtotals

- 57 projects
- \$62.4M E&C Costs

MW-MI Impacts

Allocation Methodology

- 33% Regional and 67% to zones based on MW-MI Sum of Positive Impacts Only methodology with a \$100k E&C minimum allocation

2006-2008 Subtotals

- 19 Projects
- \$92.0M E&C Costs

MW-MI Impacts (cont.)

Results seem reasonable with host zone getting majority, if not all, of the 67% zonal allocations

Two possible exceptions warrant additional review

- AEP Siloam Springs – Chamber Springs 161 kV line
- AEP Fayetteville 69 to 161 kV Conversion

Cutoff Sensitivities for Fayetteville 69 to 161 kV Conversion

ZONE	ZERO Cutoff			0.2 MW Cutoff		
	MWMI Impact	% allocation	% 100k Min	MWMI Impact	% allocation	% 100k Min
CLECO	74.6	5.6	5.6%	42.7	4.2	4.2%
SWPA	78.0	5.8	5.8%	66.9	6.5	6.5%
AEP	366.5	27.4	27.4%	361.2	35.4	35.4%
GRDA	97.5	7.3	7.3%	89.0	8.7	8.7%
OKGE	432.7	32.3	32.3%	341.6	33.4	33.4%
WFEC	68.2	5.1	5.1%	44.8	4.4	4.4%
SPS	19.6	1.5	1.5%	0.0	0.0	0.0%
MIDW	0.0	0.0	0.0%	0.0	0.0	0.0%
SUNF	4.1	0.0	0.0%	0.0	0.0	0.0%
WESTAR	67.1	5.0	5.0%	34.0	3.3	3.3%
WEPL	17.7	1.3	1.3%	0.0	0.0	0.0%
MIPU	14.5	1.1	1.1%	3.3	0.0	0.0%
KACP	45.4	3.4	3.4%	14.6	1.4	1.4%
EMDE	27.5	2.1	2.1%	5.0	0.0	0.0%
SPRM	28.7	2.1	2.1%	26.6	2.6	2.6%
TOTAL	1338.07	100.00	100.00%	1021.35	100.00	100.00%

Largest Elemental MW-MI Impacts for Fayetteville 69 to 161 kV Conversion

Total MW-mi	Line Info					
	TO #	TO	TO AREA	FROM #	FROM	FROM AREA
61.46	54450	GRDA1 7	523	53140	FLINTCR7	520
51.04	97513	7GRIMES	151	53526	CROCKET	520
61.56	55045	SEMINOL7	524	54033	PITTSB-7	520
43.70	55136	SUNNYS7	524	54033	PITTSB-7	520
28.56	55136	SUNNYS7	524	54131	L.E.S.-7	520
27.65	55045	SEMINOL7	524	54943	HSL 7	524
252.72	99486	8ANO 50	151	55305	FTSMITH8	524
33.40	57981	LACYGNE7	541	56793	NEOSHO 7	536

MW-MI impacts are assigned based on ownership

Cutoff Sensitivities for Siloam Springs – Chamber Springs 161 kV

ZONE	ZERO Cutoff			0.2 MW Cutoff		
	MWMI Impact	% allocation	% 100k Min	MWMI Impact	% allocation	% 100k Min
CLECO	5.4	0.0	0.0%	0.0	0.0	0.0%
SWPA	167.3	11.2	11.4%	133.7	10.4	10.4%
AEP	158.0	10.6	10.7%	148.7	11.5	11.5%
GRDA	594.8	39.9	40.4%	573.8	44.5	44.5%
OKGE	274.9	18.4	18.7%	241.3	18.7	18.7%
WFEC	9.3	0.0	0.0%	0.0	0.0	0.0%
SPS	32.8	2.2	2.2%	0.0	0.0	0.0%
MIDW	2.8	0.0	0.0%	0.0	0.0	0.0%
SUNF	10.3	0.7	0.0%	0.0	0.0	0.0%
WESTAR	64.0	4.3	4.4%	35.8	2.8	2.8%
WEPL	4.4	0.0	0.0%	0.0	0.0	0.0%
MIPU	5.6	0.0	0.0%	0.0	0.0	0.0%
KACP	10.1	0.7	0.0%	0.0	0.0	0.0%
EMDE	138.2	9.3	9.4%	117.3	9.1	9.1%
SPRM	41.7	2.8	2.8%	38.3	3.0	3.0%
TOTAL	1492.10	100.00	100.00%	1288.86	100.00	100.00%

Conclusions for MW-MI Projects

Cutoff Sensitivities

- Solution tolerances in load flow models is 0.3 MW at each bus. Expected tolerance on elements tied to each bus would be a function of the number of elements, but a fraction of allowed tolerance.
- Zero cutoff which has been adopted by SPP for MW-MI allocations is not adversely impacting results

Conclusions of detailed investigations support these MW-MI allocations as being correct and reasonable

2006 Incremental ATRR Allocations by Zone

ZONE	MW-Mi Impacts		No MW-Mi Impacts		Direct Assign Allocations	Totals
	33% Regional Allocations	67% MW-mi Allocations	33% Regional Allocations	67% MW-mi Allocations		
CLECO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SWPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AEP	\$ 346,344	\$ 64,743	\$ 347,537	\$ 260,206	\$ 24,138	\$ 1,042,968
GRDA	\$ 30,140	\$ -	\$ 30,243	\$ -	\$ -	\$ 60,383
OKGE	\$ 218,461	\$ 1,037,788	\$ 219,214	\$ -	\$ 39,125	\$ 1,514,588
WFEC	\$ 48,717	\$ 57,321	\$ 48,885	\$ -	\$ 16,419	\$ 171,342
SPS	\$ 177,892	\$ 38,537	\$ 178,505	\$ 1,530,398	\$ -	\$ 1,925,331
MIDW	\$ 11,085	\$ -	\$ 11,124	\$ -	\$ -	\$ 22,209
SUNF	\$ 15,025	\$ 21,696	\$ 15,077	\$ -	\$ -	\$ 51,798
WESTAR	\$ 178,011	\$ 1,262,825	\$ 178,624	\$ 759,147	\$ 6,693	\$ 2,385,301
WEPL	\$ 18,708	\$ 26,218	\$ 18,772	\$ -	\$ -	\$ 63,698
MIPU	\$ 62,368	\$ 62,786	\$ 62,583	\$ -	\$ 13,112	\$ 200,849
KACP	\$ 119,039	\$ 47,730	\$ 119,449	\$ 78,919	\$ -	\$ 365,137
EMDE	\$ 40,603	\$ -	\$ 40,743	\$ -	\$ -	\$ 81,346
SPRM	\$ 23,880	\$ -	\$ 23,962	\$ -	\$ -	\$ 47,842
TOTAL	\$ 1,290,273	\$ 2,619,644	\$ 1,294,718	\$ 2,628,670	\$ 99,488	\$ 7,932,793

2007 Incremental ATRR Allocations by Zone

ZONE	MW-Mi Impacts		No MW-Mi Impacts		Direct Assign Allocations	Totals
	33% Regional Allocations	67% MW-mi Allocations	33% Regional Allocations	67% MW-mi Allocations		
CLECO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SWPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AEP	\$ 375,397	\$ 152,227	\$ 366,251	\$ 172,585	\$ 47,375	\$ 1,113,835
GRDA	\$ 32,668	\$ 536,306	\$ 31,872	\$ -	\$ -	\$ 600,846
OKGE	\$ 236,787	\$ 726,315	\$ 231,018	\$ -	\$ -	\$ 1,194,120
WFEC	\$ 52,804	\$ 19,202	\$ 51,517	\$ 578,148	\$ 18,243	\$ 719,915
SPS	\$ 192,814	\$ 292,935	\$ 188,117	\$ 1,007,209	\$ -	\$ 1,681,075
MIDW	\$ 12,015	\$ -	\$ 11,723	\$ -	\$ -	\$ 23,738
SUNF	\$ 16,285	\$ -	\$ 15,889	\$ -	\$ -	\$ 32,174
WESTAR	\$ 192,943	\$ 484,460	\$ 188,243	\$ 739,544	\$ -	\$ 1,605,190
WEPL	\$ 20,277	\$ 65,045	\$ 19,783	\$ 18,963	\$ -	\$ 124,068
MIPU	\$ 67,600	\$ -	\$ 65,953	\$ 29,285	\$ -	\$ 162,837
KACP	\$ 129,024	\$ 58,352	\$ 125,881	\$ 224,485	\$ -	\$ 537,742
EMDE	\$ 44,009	\$ 478,981	\$ 42,937	\$ -	\$ -	\$ 565,927
SPRM	\$ 25,883	\$ 25,567	\$ 25,253	\$ -	\$ -	\$ 76,703
TOTAL	\$ 1,398,506	\$ 2,839,390	\$ 1,364,436	\$ 2,770,219	\$ 65,618	\$ 8,438,169

2008 Incremental ATRR Allocations by Zone

ZONE	MW-Mi Impacts		No MW-Mi Impacts		Direct Assign	Totals
	33% Regional Allocations	67% MW-mi Allocations	33% Regional Allocations	67% MW-mi Allocations	Allocations	
CLECO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SWPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AEP	\$ 826,720	\$ 876,143	\$ 258,885	\$ 211,206	\$ 35,729	\$ 2,208,683
GRDA	\$ 71,943	\$ 208,404	\$ 22,529	\$ -	\$ -	\$ 302,876
OKGE	\$ 521,465	\$ 1,594,890	\$ 163,296	\$ 17,972	\$ -	\$ 2,297,623
WFEC	\$ 116,287	\$ 1,018,589	\$ 36,415	\$ 91,673	\$ -	\$ 1,262,964
SPS	\$ 424,626	\$ 110,124	\$ 132,971	\$ 1,180,673	\$ -	\$ 1,848,393
MIDW	\$ 26,461	\$ -	\$ 8,286	\$ 52,012	\$ -	\$ 86,759
SUNF	\$ 35,865	\$ -	\$ 11,231	\$ -	\$ -	\$ 47,096
WESTAR	\$ 424,910	\$ 497,134	\$ 133,060	\$ 216,533	\$ -	\$ 1,271,637
WEPL	\$ 44,655	\$ 37,906	\$ 13,984	\$ -	\$ -	\$ 96,545
MIPU	\$ 148,872	\$ 72,522	\$ 46,619	\$ 188,065	\$ -	\$ 456,078
KACP	\$ 284,145	\$ 149,406	\$ 88,979	\$ -	\$ -	\$ 522,530
EMDE	\$ 96,919	\$ 1,458,506	\$ 30,350	\$ -	\$ 3,661	\$ 1,589,436
SPRM	\$ 57,001	\$ 229,447	\$ 17,850	\$ -	\$ -	\$ 304,298
TOTAL	\$ 3,079,870	\$ 6,253,069	\$ 964,454	\$ 1,958,134	\$ 39,390	\$ 12,294,917

2006-2008 ATRRs

Preliminary incremental, not cumulative, results

Based on current cost estimates and timing

Project costs may include costs which should not be eligible for base plan funding under the SPP OATT

- Direct/indirect distribution related costs
- Replacements of “Existing Facilities”
- Requirements which exceed SPP Criteria and NERC Standards, e.g., TPL-003 assigned to BPGTF

Conclusion

Staff's analysis supports a finding of no "unintended consequences" with respect to the cost allocations associated with the 2006-2008 projects eligible for base plan funding in the STEP

QUESTIONS?

Jay Caspary
Director, Engineering
Email: jcaspary@spp.org
Voice: 501.614.3220



Aggregate Study

**Undesignation of Resources and
SPP Aggregate Study Summit**

Undesignation of Resources

Undesignation of Resources

- **Attachment J Section III, B, 1, 2, & 3 provide the conditions for Base plan funding.**
- **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.**

Undesignation of Resources

- **Section 30.2 and 30.3 are for Designation of New Network Resources and Termination of Resources respectively.**
- **Base Plan funding in accordance with Attachment J Section III.B.1; The Transmission Customer's commitment to the Designated Resource has a duration of at least five years.**
- **No tariff reference to Undesignate a Resource**

Undesignation of Resources

How should a Customer Undesignate Resources?

- Would a letter stating the resource to be undesignated with the start date be acceptable?
- As long as the resource has not been a new or changed DR that was granted Based Plan funding in a prior Aggregate study or the original reservation has expired.
- This would allow the unit to be used for NN6 and allow Base Plan funding for future new or changed DR's if the 125 % is not broken as described in Attachment J Section III, B, 2, along with 1 & 3.

SPP Aggregate Study Summit



SPP Aggregate Study Summit

- SPP staff held a Summit to discuss enhancing the Aggregate Study Process Feb. 1, 2007.
- SPP is reviewing a more equitable pricing structure that would perhaps cut down on the number of facility study iterations
- SPP is reviewing the use of a Letter Agreement as a legally binding document to perhaps cut down on the number of facility study iterations
- SPP is reviewing the requirement for DR's that are comprised of a consortium, that the study **MUST** have the complete consortium in the study and if one falls out they are all out of the study.
- SPP Contract Services is reviewing providing alternant study services to TSR Customer

WWW.SPP.ORG

7



John E. Mills
Manager, Tariff Studies
501-614-3356
questions@spp.org



January 31, 2007

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

Subject: Request for waiver per Attachment J of the SPP OATT for OASIS Request #1159596

Dear John,

As provided for in Attachment J, Section III.C.1.ii of the SPP OATT, the Oklahoma Municipal Power Authority is submitting this request for waiver with respect to OASIS request # 1159596. Specifically, OMPA seeks Base Plan Upgrade Cost treatment of the required upgrades to the extent they exceed the Safe Harbor Cost Limit.

OASIS request # 1159596 pertains to OMPA's 41 MW ownership share of the 600 MW Turk coal plant to be located in Hempstead County, Arkansas. The reservation is for 41 MW from CSWS to CSWS beginning in 2011 through 2031, a 20-year period. Under the Tariff this 41 MW reservation is eligible for one-time Base Plan Funding totaling \$7,380,000 (\$180,000 times 41 MW).

Based on 2006-AG3-AFS-1, the Engineering and Construction Cost Allocated to OMPA for this reservation is estimated at \$8,597,956. The result is that the cost for OMPA's portion of the necessary upgrades for the Turk plant is \$1,217,956 greater than the allowable Base Plan Funding. It is for the additional cost, beyond the \$7,380,000, that OMPA is seeking waiver.

Section III C.2.ii provides for a waiver based on the term of service exceeding the minimum requirement of five (5) years. This reservation is for a 20-year term of service thus far exceeding the requirements of Section III C.2.ii. Further, even the twenty-year length of the reservation understates the length of OMPA's commitment to the resource. While the OASIS request is listed as a 20-year reservation, the plant itself and OMPA's ownership rights in the plant are expected to continue for at least 35 years. Thus the investment should be viewed as supporting a very long-term use of the system.

OMPA's plan to meet a significant portion of its future load requirements by acquiring a portion of the Turk power plant, supported by a very long term transmission reservation, will facilitate SPP's ability to efficiently plan the system for the region's long term needs and will result in significant savings to SPP. OMPA is committing to a single 20-year

OKLAHOMA MUNICIPAL POWER AUTHORITY

P. O. Box 1960 • 2300 East Second St. • Edmond, Oklahoma 73083-1960
Telephone # (405) 340-5047 Telecopy # (405) 359-1071 E-mail ompa@ompa.com
An Agency of the State of Oklahoma, fully supported by customer revenues instead of taxes.

DNR reservation for the Turk plant rather than seek individual 5-year reservations for various DNRs, over the same 20-year period. Had OMPA chosen to obtain a series of individual 5-year DNRs (each 41 MW), SPP would have to plan for each such resource and OMPA would, in each case, be eligible for base plan funding of \$7,380,000. Thus SPP's exposure for base plan funding for this 41 MW portion of OMPA's load over the 20-year period would be \$36,900,000. With the single Turk plant reservation, SPP's exposure will be limited to the \$7,360,000 plus the waiver amount or a total of approximately \$8,597,956.

OMPA's waiver request provides greater regional value than previous waiver requests that have been for peaking or intermittent generation, and does so at lower cost to other SPP ratepayers. OMPA's waiver request amounts to approximately \$29,706/MW, while recent waiver requests pertaining to peaking generation have required roll-in of an additional \$63,504/MW.

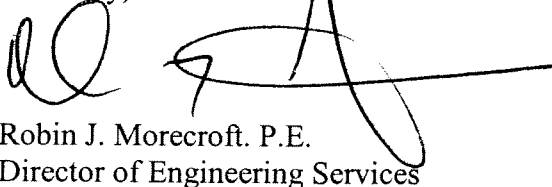
Finally, we note that waiver is particularly appropriate to avoid discrimination against smaller systems, a concern expressed by FERC in approving the \$180,000/MW Safe Harbor in combination with the 125% limitation. OMPA should not be discriminated against simply because its small size dictates relatively small commitments in order to achieve diversity and manage risks.

There will likely be as of yet quantified, third party benefits resulting from construction of the required transmission improvements. However, granting this waiver will relieve SPP of tracking revenue credits that might otherwise be earned by OMPA as a result of third party benefits.

OMPA also has reservation #1162095 included in 2006-AG3-AFS-1, this reservation is for 73 MW from OKGE to OKGE. The Engineering and Construction Cost Allocated to OMPA for this reservation is \$7,515,287. However, the reservation could be eligible for base plan funding of up to \$13,500,000 at the current rate of \$180,000 per MW. OMPA believes it would be reasonable to apply a portion of the unused base plan funding for reservation #1162095 to reservation #1159596.

It is for the above stated reasons that OMPA seeks this waiver. Should you have any questions on this request please do not hesitate to contact me.

Sincerely,


A handwritten signature in black ink, appearing to read 'Robin J. Morecroft', written over a horizontal line.

Robin J. Morecroft, P.E.
Director of Engineering Services

Cc: C.Holman
T.Littleton
H.Dawson



Arkansas Electric Cooperative Corporation

Your Touchstone Energy Cooperative 

1 Cooperative Way
P.O. Box 194208
Little Rock, Arkansas 72219-4208
(501) 570-2200

January 31, 2007

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

Subject: Request for waiver of Base Plan Funding limits of the SPP OATT Attachment J,
Section III B for OASIS Request #1161209

Dear John:

Arkansas Electric Cooperative Corporation (AECC) seeks Base Plan Upgrade Cost treatment of the required upgrades to the extent they exceed the Safe Harbor Cost Limit. A request for waiver is provided for in Attachment J, Section III C of the SPP OATT.

OASIS request # 1161209 is for 70 MW of transmission service from the Turk coal plant to AECC's load within the SPP.

Under the Tariff this 70 MW reservation is eligible for Base Plan Funding of up to \$12,600,000 (\$180,000 times 70 MW). Based on 2006-AG3-AFS-1, the Engineering and Construction Cost Allocated to AECC for this reservation is estimated at \$13,829,229.

The circumstances of this capacity addition meet the two conditions set forth in the Tariff that allow the Waiver request. First, Section III C.2.ii provides for a waiver based on the term of service exceeding the minimum requirement of five (5) years. This reservation is for a 20-year term of service. Second, a waiver may be requested if the capacity in question does not cause the Market Participant's total resources to exceed 125% of its firm load obligation. In 2011, the in service date of the Turk Plant and the effective date of OASIS Request #1161209, AECC will be importing generation to serve its load in the SPP. The 70 MW will offset a portion of the use of plants outside of the SPP with generation inside the SPP. Even with the addition of this 70 MW, AECC's total resources will be less than 125% of its firm load obligation.

One of the benefits provided by the upgrades related to this plant is the strengthening of the transmission ties between the SPP and Entergy. One of the lines listed is a 345 kV transmission line between the Turk Plant and Entergy's McNeil 500 kV substation. This

Mr. John Mills
January 31, 2007
Page 2

will provide greater reliability and the opportunity for additional competition within the SPP.

If you have any questions on this waiver request please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Ricky Bittle". The signature is written in a cursive, flowing style.

Ricky Bittle
Vice President
Planning, Rates & Dispatching

RB:lh

xc: Gary Voigt