



Southwest Power Pool, Inc.

SPECIAL BOARD OF DIRECTORS MEETING

February 12, 2018

Conference Call

• A G E N D A •

1:00 p.m. –1:30 p.m.

- 1. Call to Order and Administrative Items.....Jim Eckelberger
- 2. CGC Recommendation.....Nick Brown
- 3. Future Meetings

2018

RET/RSC/BOD	April 23-24	Kansas City, MO
* BOD	June 11-12	Little Rock, AR
RET/RSC/BOD	July 30-31	Omaha, NE
RET/RSC/BOD	October 29-30	Little Rock, AR
** BOD	December 4	Little Rock, AR

2019

RET/BOD	April 28-29	Austin, TX
RET/RSC/BOD	April 29-30	Tulsa, OK
* BOD	June 10-11	Little Rock, AR
RET/RSC/BOD	July 29-30	Denver, CO
RET/RSC/BOD	October 28-29	Little Rock, AR
** BOD	December 3	Little Rock, AR



HELPING OUR MEMBERS WORK TOGETHER
TO KEEP THE LIGHTS ON... TODAY AND IN THE FUTURE.

FERC DOCKETS

EL16-91 & EL18-19

- Summary & Overview
- The Compliance Obligation in the October 19, 2017 Order
- NPPD's Proposal
- Recommendation

FERC DOCKET EL16-91: SUMMARY

- FERC-initiated examination of the SPP Tariff under Section 206 of the Federal Power Act

ISSUE IDENTIFIED BY FERC:

- There is no refund commitment in the SPP Tariff requiring non-jurisdictional transmission owners to refund revenues received associated with service provided due to their status as RTO transmission owners
- This may result in SPP's jurisdictional rates not being just and reasonable

Background & Timeline

SPP Staff Recommendation to CGC (February 2017):

- **Initiate stakeholder process to develop proposed changes to the Governing Documents**

CGC Direction:

- **February 2017: Coordinate with all SPP Transmission Owners on drafting a straw proposal to comply with FERC's direction and bring proposal back to CGC.**
- **November 2017: Work with non-jurisdictional Kansas and Nebraska Members and all Transmission Owners to formulate a compliant proposal that is responsive to Kansas and Nebraska specific issues**
- **January 5, 2018: CGC approves recommendation to Amend Membership Agreement to comply with FERC's deadline February 28th Deadline in 206 Docket.**

Status Report:

- **SPP filed Status Report on December 15, 2017**

Stakeholder Coordination

Teleconferences	Topics Covered
May 12, 2017	Docket overview; SPP strawman
June 13, 2017	Review other proposals (WFEC; NPPD; CUS; MWE)
June 28, 2017	Review SPP revised strawman based on feedback
July 27, 2017	Review Midwest Energy proposal
August 23, 2017	Review Revised Midwest Energy proposal and SPP further revised strawman
November 2, 2017	Review October 19 Compliance Order and SPP strawman
November 28, 2017	CGC Meeting
December 7, 2017	SPP Staff, NPPD, Midwest Energy, Sunflower reviewed Staff's proposal to use Bylaws 8.4
December 13, 2017	Reviewed Staff's proposal and NPPD's proposed revisions with all Transmission Owners
December 28, 2017	Reviewed NPPD's latest proposal with all Transmission Owners

Recommendation from CGC

- Motion to:

Approve the proposed new Membership Agreement Section 3.0(i) and the WAPA revision (A.1.12) to its Membership Agreement Amendment, as reflected in the CGC Recommendation Memo.



Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE
Recommendation to the Board of Directors and Members Committee
January 5, 2018
Amendment to Membership Agreement

Background

On July 21, 2016, FERC initiated an examination of the SPP Tariff under Section 206 of the Federal Power Act (Docket No. EL16-91), because there is no refund commitment in the SPP Tariff requiring non-jurisdictional transmission owners to refund revenues received associated with service provided due to their status as RTO transmission owners, and the absence of such a refund commitment may result in SPP's jurisdictional rates not being just and reasonable. Pursuant to direction from the Corporate Governance Committee, SPP staff facilitated eight teleconferences with all SPP Transmission Owners over the past several months. On October 19, 2017, FERC issued a subsequent order requiring SPP to submit a compliance filing consistent with the direction provided in that order. In the October 19 Order, FERC: (1) held the paper hearing in abeyance pending the outcome of the SPP stakeholder process; granted in part and denied in part, SPP's request for clarification; (3) instituted another proceeding in EL18-19 to examine the SPP Membership Agreement and consolidated the two dockets; (4) required SPP to submit a status report on the stakeholder process by December 15, 2017; and, (5) ordered SPP to submit a compliance filing with a proposal to address the non-jurisdictional refund commitment by February 28, 2018, regardless of the outcome of the stakeholder process, or show cause as to why revisions are unnecessary.

Analysis

In the October 19 Order, FERC requires SPP to incorporate a contractual commitment in the SPP Membership Agreement that contractually obligates non-jurisdictional utilities to effectuate a FERC refund order. Since FERC has no jurisdiction to require non-jurisdictional utilities to comply with its refund orders, it has ordered SPP to contractually bind non-jurisdictional utility members and if needed, enforce the Membership Agreement in court, since FERC lacks such authority.

FERC found that when an RTO proposes to include a non-jurisdictional utility's revenue requirement in the RTO's rates, the RTO may not implement that proposal unless the non-jurisdictional utility makes a voluntary commitment to make refunds if the rate, as filed, is later found to be not just and reasonable. FERC stated that non-jurisdictional utilities would only be subject to refund commitments to the extent that they wish to remain or become SPP transmission owners. The refund commitment will serve as a condition precedent for non-jurisdictional utility transmission owning members to recover revenues through the SPP Tariff based on a choice they made to become members. FERC noted that SPP may propose a prospective effective date for any revisions to the SPP Tariff or governing documents.

Recommendation:

Approve the proposed new Membership Agreement Section 3.0(i) and the WAPA revision to its Membership Agreement Amendment, as reflected in the attached.

Approved: Corporate Governance Committee January 5, 2018

Action Requested: Approve recommendation

PROPOSED Section 3.0(i)

(i) Subject to the provisions of this Agreement, prior Amendments to this Agreement and/or the Tariff, and without waiving, limiting or altering Member's non-jurisdictional status, a non-jurisdictional Member agrees to refund any amount collected by SPP on behalf of and distributed to such non-jurisdictional Member, (1) resulting from any overcharge caused by any billing or computation error as agreed by SPP and a non-jurisdictional Member; (2) resulting from a refund order issued by the FERC relating to any overcharges caused by inclusion by a non-jurisdictional Member of costs of facilities that are not Transmission Facilities as allowed by Attachment AI of the Tariff; or (3) in excess of the rate ultimately determined in any other order issued by the FERC to be just and reasonable, provided, however, that if a non-jurisdictional Member cannot issue refunds required by such other order described under (3) because, (i) its rates are subject to a state regulatory authority authorized by state statute to set transmission rates that are subject to judicial review and (ii) the refund order issued by the FERC is inconsistent with applicable state law, regulation or regulatory determination, SPP will provide to the FERC any difference identified by the non-jurisdictional member between the FERC-ordered refund and the state-law, regulation or regulatory determination as uncollectible and not otherwise owed by SPP. Determinations of inconsistency with applicable state law shall be made pursuant to the process and rights in accordance with Sections 3.11 and 3.12 of this Agreement and prior Amendments to this Agreement. Any such refund shall include interest calculated in accordance with the FERC refund order. Nothing in this paragraph shall be deemed to amend or supersede the applicability of any provision of this Agreement, prior Amendments to this Agreement and/or the Tariff.

PROPOSED AMENDMENTS TO SPP MEMBERSHIP AGREEMENT FOR THE WESTERN AREA POWER ADMINISTRATION-UPPER GREAT PLAINS REGION

A1.12. Western-UGP's Agreement to Pay Refunds

In the event FERC issues an order under section 205 or 206 of the Federal Power Act directing SPP to pay refunds, and SPP seeks a portion of those refunds from Western-UGP, Western-UGP agrees to pay such portion upon request from SPP. However, Western-UGP's agreement to pay any such refund is limited by the following:

- a) Western-UGP does so without waiving, limiting or altering its non-jurisdictional status or its rate review described in Sections 3.10 and 3.11 of the Agreement;
- (b) Western-UGP's obligation to pay a refund shall only be prospective from the date of an initial FERC order establishing the date of any refund;
- (c) Western-UGP shall only make a refund if such refund is not otherwise covered by Western-UGP's statutory and regulatory requirements for refunds described in Section 3.10 of the Agreement; and,
- (d) Any disputes under this contract provision between Western-UGP and SPP shall be resolved in accordance with Federal contract law, and Western-UGP's potential interest due on the refund shall be capped at the Prompt Payment Act interest rates as published by the Secretary of Treasury and published by the Bureau of Fiscal Service semi-annually in the Federal Register, and the forum for any disputes shall be the applicable Federal court.