



1000 Center St.

Little Rock, AR 72201

**Southwest Power Pool
REGIONAL STATE COMMITTEE
Hilton Palacio Del Rio**

January 29, 2007

• M I N U T E S •

Administrative Items:

Members in attendance or represented by proxy were:

- Julie Parsley, Public Utility Commission of Texas (PUCT)
- Brian Moline, Kansas Corporation Commission (KCC)
- Sandra Hochstetter, Arkansas Public Service Commission (APSC)
- Denise Bode, Oklahoma Corporation Commission (OCC)
- Steve Gaw, Missouri Public Service Commission (MPSC)

There were 59 in attendance (Attendance & Proxies – Attachment 1). Others in attendance via phone:

- Sedina Eric, FERC
- Walter Wolf, Stone, Pigman, Walther, Wittman, LLC
- Bary Warren, Empire District

President Parsley called the meeting to order at 1:20 p.m. Cheryl Robertson called roll and a quorum was declared. President Parsley asked for adoption of the October 23, 2006 meeting minutes (RSC Minutes 10/23/06 - Attachment 2). **President Parsley asked for a show of hands to approve the October 2006 minutes as presented. Hearing no addition or corrections, the October minutes were approved.**

Updates:

RSC Financial Report

Les Dillahunty (SPP) presented the RSC Financial Report (RSC Financial Report – Attachment 3). Mr. Dillahunty reported that the RSC remained well under budget for 2006 in large part due to the fact that no cost/benefit studies were conducted. The bulk of expenses incurred for 2006 were meeting and travel expenses.

RSC Officer Reports

President Parsley asked for RSC officer reports. No reports were offered.

FERC Update

John Rogers provided an update on FERC activities:

- The Commission issued SPP's Market Readiness Certification Order on Friday, January 26.
- The Commission will convene a conference on its market monitoring policies on April 5 in Washington, D.C.
- The first Demand Response conference was held in Miami at the NARUC annual meeting in November.
- The first in a series of conferences will be held at the Commission to examine the state of competition in wholesale power markets on February 27.
- Two significant rule makings are currently before the Commission: 1) the Open Access Transmission Tariff reform and 2) the Market Based Rates.
- All were invited to visit the FERC website, which now provides electric market information overviews for the nation as well as regional markets, including all of the RTO/ISOs.

Regional State Committee
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SPP Update

Nick Brown provided an update on SPP activities. Mr. Brown stated that SPP had received a FERC Order on Friday, January 26, affirming a February 1 EIS market start. From SPP's prospective, market go live February 1 will be treated with minimal public fanfare culminating much hard work and testing by market participants and SPP. A Go/No Go Task Force was formed as a FERC requirement to follow the transition process. This task force will meet at 2:00 p.m. today and 2:00 p.m. tomorrow, January 31, to make its final recommendation on launching the market. Should the group choose not to go live, Mr. Brown would call a SPP Board of Directors/Members Committee meeting to aid in making the final decision.

Mr. Brown updated the group regarding NERC's transition to an Electric Reliability Organization (ERO). The 60 day period for FERC's response to NERC's ERO implementation status and SPP's RE status ends on March 10. Billings have gone out to RE's under the new organization using a different mechanism with costs being isolated from SPP's budget. Commissioner Hochstetter requested that FERC continue to monitor and provide follow up information on the NERC budget. SPP's first initiative after receiving RE status will be to modify the Bylaws to elect three trustees to oversee the Standard setting process and the compliance process. This means that SPP must transition quickly following the receipt of the order. Mr. Brown expressed appreciation of the RSC's support of SPP's RE model.

SPP has formed an Organizational Metrics Task Force to provide a corporate dashboard in order to illustrate the status of SPP at a glance. This Task Force consists of Directors and Members representatives who will develop a straw proposal and solicit feedback. Organizational Metrics are important in transitioning from a small company to a large company.

Mr. Brown mentioned two other initiatives that are in place: 1) a comprehensive review of the funding mechanism for economic upgrades and 2) the EHV Transmission Study Overlay.

Business Meeting:

CAWG Report

Dr. Mike Proctor provided a review of the CAWG White Paper on Attachment Z, OG&E and Westar waivers, and the alternative approaches to economic upgrades. Dr. Proctor explained the background of Attachment Z, which has been sent to the RTWG with recommendations in order to craft Tariff language to address aggregate study concerns.

The MOPC asked CAWG to review the Westar waiver prior to the SPP Board of Directors meeting on January 30. CAWG recommended to the Markets and Operations Policy Committee (MOPC) to move forward with the waiver request from OG&E as recommended by SPP.

Dr. Proctor provided a review of alternative approaches to economic upgrades developed as a directive from the RSC at its October 2006 meeting (Alternative Approaches – Attachment 4). Four alternative approaches were presented and explained: 1) portfolio approach, 2) higher voltage emphasis, 3) benefit metrics, 4A) severe congestion; and 4B) final determination of cost allocation should wait until the SPP has developed a region-wide portfolio. Discussion was in favor of a parallel approach with SPP developing a portfolio of economic projects with region-wide benefits with the RSC to determine a recommendation on cost allocation.

Regional Transmission Working Group's Unintended Consequences Review

Dennis Reed provided a report on unintended consequences (RTWG Report – Attachment 5). Mr. Reed reviewed the current methodology of allocating cost from the Base Plan Upgrades, the time line reviewing the zonal allocation process, and the proposed methodology. He reported the task force results. The RTWG agreed with the task forces and presented the RSC with the following recommendation:

The RSC accept the RTWG recommendations

- 1. Change the inter-zonal cost allocation process from “The sum of the Net MW-Mile impacts” to “The sum of the Positive MW-Mile impacts”.**
- 2. A minimum allocation of \$100,000 to a zone be implemented.**
- 3. Directs the CAWG to give further consideration to altering the existing regional/zonal**

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allocation percentages and/or allocation methods for Base Plan Funded projects to encourage the construction of high voltage projects that have both economic and reliability benefits.

This Recommendation and tariff language was approved by the MOPC at their last meeting.

Following discussion, Sandra Hochstetter moved to adopt parts 1 & 2 but not part 3. Denise Bode seconded the motion, which passed unanimously.

Transmission Expansion Plan, Transmission Overlay Assessment, & Westar Waiver Request
Jay Caspary provided an SPP engineering staff report (Engineering Report – Attachment 6).

SPP Transmission Expansion Plan (STEP)

Mr. Caspary provided an overview of the STEP process including a summary of transmission projects from 2006 through 2016; recommendations for Board of Directors approval to approve the plan and to authorize and direct the start of construction projects listed in Appendix B. Mr. Caspary also reviewed Base Plan Upgrades (Base Plan Upgrades – Attachment 7), economic projects, and other transmission expansion studies. President Parsley requested that an SPP provide a Base Plan Upgrade project status chart for every meeting so that RSC can help address problems and work with SPP as a team.

Supply Adequacy Audit

This audit was last performed in 1999 and will be performed again in the first quarter of 2007 coincident with the EIA-411 data collection efforts.

SPP EHV Overlay Assessment

With the STEP process in place, SPP Staff working through the Transmission Working Group (TWG) wanted to identify a long range vision for the bulk power transmission network with input from an independent entity with EHV experience. Monies have been budgeted and approved for EHV Overlay contractors. IntraSource Technology and PowerWorld Corporation have been selected as contractor. The process will include a timeline and milestones with completion slated for mid-2007. Support of members and stakeholders will be appreciated throughout the assessment.

Westar Waiver Request

Mr. Caspary provided background regarding the Westar waiver request. This request was reviewed by CAWG who provided unanimous support. The MOPC approved SPP Staff's recommendation to provide full Base Plan funding of the Rose Hill – Sooner 345 kV project. RSC's approval was requested. Sandra Hochstetter moved to approve the Westar waiver request. Brian Moline seconded the motion, which passed unanimously. The secretary was reminded that RSC action does not prejudice any case that may come before a state regulatory agency.

2006 Regional State Committee Audit Results

Sandra Hochstetter stated that the RSC Bylaws require an annual financial audit (RSC Audit – Attachment 8). Patricia Salman & Associates were contracted to perform an audit of the year ending December 31, 2005. Only one exception was found regarding travel reimbursement. Mileage reimbursement levels were not well documented. Ms. Hochstetter offered copies of the audit for review.

2006 SPP Board of Directors Evaluation Results and Stakeholder Satisfaction Survey Results

Les Dillahunty provided the results of the SPP Board of Directors Evaluation and Stakeholder Satisfaction Survey (BOD Evaluation & Stakeholders Survey – Attachment 9). This is the third year for the Board of Directors Evaluation and the second year for the Stakeholder Satisfaction Survey.

Organizational Metrics Overview and SPP Emergency Response Plan

Les Dillahunty reported that Michael Desselle was currently meeting with the Organizational Metrics Task Force and that he would provide the report. Mr. Dillahunty stated that the organization metrics would be reported at the next RSC meeting and that it is important that the RSC understand these metrics and what's

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behind them.

Mr. Dillahunty then reviewed the SPP Emergency Response Plan (SPP Emergency Response Report - Attachment 10). The plan's major areas of focus are:

- Internal Coordination
- Crisis Communication
- Information Systems Incident Response
- Emergency Situations
- Building Evacuation (all employees)
- Operations Evacuation to Backup Center
- Power System Restoration

Denise Bode requested that contact information be provided for review for her state. Other RSC members requested the same. Mr. Dillahunty said that this information would be delivered next week.

EIS Market

Carl Monroe provided a report on the SPP EIS Market due to go live on February 1. Mr. Monroe stated that FERC issued its SPP Market Readiness Certification Order on Friday, January 26, declining to delay the start of SPP's imbalance market scheduled for February 1. There have been daily market reports since last Thursday and the transition started in earnest 4 days ago. All Market metrics from October through December have been completed. There have been some concerns expressed regarding the late arrival of model changes, settlement data feeds, LIP volatility, etc. but some things will only be learned after going live.

Scheduling of Next Regular Meeting, Special Meetings or Events:

President Parsley noted that the next regularly scheduled RSC meeting is in Oklahoma City, Oklahoma on April 23-24, 2007.

With no further business, the meeting was adjourned.

Respectfully Submitted,

Les Dillahunty

RSC AGENDA

REGULAR MEETING*

Monday, January 29, 2007

1:00-5:00 p.m.

Hilton Palacio Del Rio

San Antonio, TX

1. CALL TO ORDER

2. PRELIMINARY MATTERS

- a. Declaration of a quorum
- b. Adoption of October 23, 2006 Minutes

3. UPDATES

- a. RSC Financial Report
- b. Other RSC Officer Reports
- c. FERC
- d. SPP

4. BUSINESS MEETING (ALL ITEMS SUBJECT TO DISCUSSION AND ACTION)

- a. 2006 Regional State Committee Audit Results Chairman Sandra Hochstetter
- b. 2006 SPP Board of Directors Evaluation Results Les Dillahunty
2006 Stakeholder Satisfaction Survey Results
- c. Organizational Metrics Overview Michael Desselle
SPP Emergency Response Plan
- d. EIS Market Update Carl Monroe/Michael Desselle
- e. CAWG Report..... Dr. Mike Proctor
Whitepaper on Attachment Z
OG&E Waiver Recommendation to the MOPC
Alternative Approaches to Economic Upgrades
- f. RTWG's Unintended Consequences Review Dennis Reed
- g. Transmission Expansion Plan – 2006-2016 Jay Caspary
Transmission Overlay Assessment
Westar Waiver Request

5. SCHEDULING OF NEXT REGULAR MEETING, SPECIAL MEETINGS OR EVENTS

6. ADJOURNMENT

* Background materials will continue to be posted in advance of the scheduled meeting as they become available.

Southwest Power Pool, Inc.
REGIONAL STATE COMMITTEE
Hilton Palacio Del Rio, San Antonio, TX
January 29, 2007

ATTENDANCE LIST

| Name | System |
|------------------------|--------------------|
| Richard Ross | AEP |
| Paul Armstrong | PPM |
| Walt Sumate | ON BEHALF OF EET |
| Venita McClellon-Allen | Swepeco |
| Cindy Holman | OMPA |
| Harry Dawson | OMPA |
| John Rogers | FERC |
| Jennifer Amerkhal | FERC |
| Terri Eaton | Xcel Energy |
| Tim Wolley | Xcel Energy |
| Mark Rossi | SPP/Gestalt |
| Tom Stuchlik | Westar Energy |
| Michael Dosselle | SPP |
| JEFF KNOTTEK | CUS |
| Joe Fangman | Aguila |
| Shirrell Dorsey | KACY-BPU |
| Dennis Reed | Westar Energy |
| Kelly Harrison | Westar |
| Rick Walker | THE WIND COALITION |
| Carl Hustlig | ITC Great Plains |

Southwest Power Pool, Inc.
REGIONAL STATE COMMITTEE
 Hilton Palacio Del Rio, San Antonio, TX
 January 29, 2007

ATTENDANCE LIST

| Name | System |
|--------------------|------------------------|
| Rich Welfinger | Constellation Energy |
| Mark Kornhaus | Constellation Energy |
| Stuart Solomon | PSO (AEP) |
| TOM DEBAUN | KS. CORP. COMM. |
| Matt Toure | KS Corp. Comm. |
| Mike Proctor | MO PSC |
| Steve Bow | " |
| Denise Bode | OCC |
| Pauli Tanley | Texas PUC |
| Andrea Hochstetler | Arkansas PSC |
| Erwin Molina | Utahs Corp Comm |
| Joyce Davidson | OCC |
| Adrienne Brandt | PUCT |
| JAM LOUDENSLAGER | ARKANSAS PSC |
| Richard House | ARK PSC |
| Bridget Headrick | Texas PUC |
| Phyllis Bernard | SPP Board of Directors |
| Nick Brown | SEA |
| Mel PERKINS | OSE |
| Rob Janssen | Redbud Energy |

Southwest Power Pool, Inc.
 REGIONAL STATE COMMITTEE
 Hilton Palacio Del Rio, San Antonio, TX
 January 29, 2007

ATTENDANCE LIST

| Name | System |
|-------------------|------------------------------------|
| Quentin Jackson | SPP Director |
| Jim Eckelberger | SPP Director |
| HARRY SKILTON | SPP Director |
| Les Dillahunty | SPP |
| Mike Wise | GOLDEN SPREAD ELECTRIC COOPERATIVE |
| Bob O'Neil | Golden Spread |
| Richard A. Spring | Kansas City Power & Light |
| Jay Caspar | SPP STAFF |
| RON GARY | LUS |
| Ricky Bittle | AEC |
| GARY ROWLET | WFEC |
| CARL A. MONROE | SPP |
| Phil Crissup | OG&E |
| MIKE PALMER | EDE |
| TOM GRENNAN | KEPCo |
| BOB KOENIG | OG&E |
| Cheryl Robertson | SPP |
| Gerard Wallart | SPP |
| Lamara Lawrence | SPP |



1000 Center St.

Little Rock, AR 72201

**Southwest Power Pool
REGIONAL STATE COMMITTEE
DoubleTree Hotel at Warren Place – Tulsa, OK**

October 23, 2006

• M I N U T E S •

Administrative Items:

Members in attendance or represented by proxy were:

- Denise Bode, Oklahoma Corporation Commission (OCC)
- Brian Moline, Kansas Corporation Commission (KCC)
- Julie Parsley, Public Utility Commission of Texas (PUCT)
- Steve Gaw, Missouri Public Service Commission (MPSC)
- Ted Thomas, proxy for Sandra Hochstetter, Arkansas Public Service Commission (APSC)

There were 49 in attendance (Attendance & Proxies – Attachment 1). Others in attendance via phone:

- Larry Holloway, Kansas Corporation Commission
- Tom DeBaun, Kansas Corporation Commission
- Walter Wolf, Stone, Pigman, Walther, Wittman, LLC
- David Kays, Oklahoma Gas & Electric
- Bary Warren, Empire District
- Bill Caruso, Global Energy
- Jim Soles, Occidental Petroleum Corporation

President Bode called the meeting to order at 1:07 p.m. Cheryl Robertson called roll and a quorum was declared. President Bode asked for adoption of the July 25, 2006 meeting minutes (RSC Minutes 7/25/06 - Attachment 2). Dr. Mike Proctor asked that the records reflect his attendance. President Bode asked for a show of hands to approve the July minutes as corrected. She then asked for adoption of the August 16, 2006 teleconference minutes (Minutes 8/16/06 – Attachment 3). Hearing no addition or corrections, the August minutes were approved by a show of hands.

Election of officers

President Bode stated that this was the RSC Annual Meeting which requires the election of officers. Mr. Steve Gaw moved to nominate Commissioner Julie Parsley for President; Commissioner Brian Moline for Vice President, and Commissioner Sandra Hochstetter for Secretary/Treasurer. Commissioner Moline seconded the motion, which passed unanimously. President Bode was thanked for her great leadership and development of this organization. President Bode stated that the RSC was leading the nation as a model for this type of organization and had great opportunities to break ground.

President Bode then asked for a round of introductions including those joining via phone.

Updates:

RSC Financial Report

Les Dillahunty (SPP) presented the RSC Financial Report (RSC Financial Report – Attachment 4). Mr. Dillahunty reported that the RSC remained well under budget in large part due to the fact that no Cost Benefit Study was conducted. The bulk of expenses incurred to date are meeting expenses.

RSC Officer Reports

President Bode shared that she had had the opportunity to witness a deployment test at Oklahoma Gas & Electric (OG&E). She said that SPP had a good process and felt good about SPP's response to market issues. She called attention to the National Edison Electric Institute Report and stressed that RSC needed to work to achieve the building of new transmission to meet native loads.

FERC Update

Tony Ingram provided an update on FERC activities:

FERC recently voted orders addressing:

- Loss compensation methodology requiring that all generators providing this service should be compensated
- Market participant agreement and reserve cost allocation
- An order on rehearing of its March, 2006 order regarding SPP's energy imbalance market

Pending Commission action items are:

- Balancing Authority settlement agreement
- SPP's filing of a meter agent agreement and market readiness metrics including a statutory action item

Other recent Commission actions include:

- Approval of NERC's proposed ERO budget and 83 ERO reliability standards
- Approval of the funding of NERC ERO statutory activities, under EPCRA 2005 and funding of Regional Entity statutory activities through the ERO
- Issuance of a final rule addressing PURPA requirements

SPP Update

Nick Brown provided an update on SPP activities (SPP Report - Attachment 5). Mr. Brown addressed three topics:

- RSC's success in issues such as: cost allocation for Reliability Upgrades; the approval of 40 projects for Base Plan funding in the amount of \$69 million; and Unintended Consequences, allocation of transmission costs and waivers.
- A request for RSC's continued support: focus on cost allocation for economic upgrades; an efficiency initiative utilizing EPRI building blocks; and continued support at FERC.
- The point that 10% of the electrical infrastructure; i.e. transmission was limiting the other 90% of the infrastructure (generation, markets).

Business Meeting:

2007 Budget Approval

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October 23, 2006

Les Dillahunty provided a review of the 2007 RSC Budget (Budget – Attachment 6). Mr. Dillahunty explained the budget process using history to produce the figures for 2007 and a 3% increase for 2008. In discussion, it was decided to break for a short budget discussion to possibly allow for more flexibility. Action will be taken later in the meeting.

The annual audit is underway and a full report will be given at the January meeting.

December 11, 2006 Technical Conference Agenda

Joyce Davidson provided a review of the draft agenda for the SPP Technical Conference on Regional Resource Planning (SPP Technical Conference – Attachment 7). She stated that the date had been moved to January 19, 2007 in San Antonio. Following discussion, it was decided to hold the conference either prior to the RSC meeting on January 29 or following the SPP Board of Directors meeting January 30. The selected date will be announced. Ms. Davidson and Les Dillahunty will continue to work on conference details.

CAWG Report

Dr. Mike Proctor provided a review of the CAWG White Paper and proposed revisions to Attachment Z (CAWG Report - Attachment 8). He stated that action would not be required at this time but that the final white paper would be ready for approval at the January RSC meeting. Mike also provided a brief overview of the CAWG's efforts to address options for economic upgrades.

EIS Market Update

Les Dillahunty provided a status report on the EIS Market Implementation (EIS Market Status – Attachment 9). Mr. Dillahunty reviewed deployment tests conducted since August 1. He also addressed the status of critical readiness issues including: LIP volatility, market metrics and the reserve sharing arrangements that impact EIS Market readiness.

Base Plan Projects Approval

Dennis Reed (Westar) provided information regarding Unintended Consequences and changes to Schedule 2 of the Tariff (Base Plan Projects & Reactive Compensation – Attachment 10). The Regional Tariff Working Group (RTWG) formed the Interzonal Cost Allocation Task Force (IZATF) to review Unintended Consequences options. This group is to report back to the RTWG in order for RTWG to present a final recommendation to the MOPC, RSC and BOD in January.

Mr. Reed commented that the necessary changes to Schedule 2 are almost complete with the exception of the impact analysis.

OG&E and Golden Spread Base Plan Projects Waiver Requests

Les Dillahunty reviewed waiver requests as allowed in Attachment J of the SPP Tariff from Oklahoma Gas and Electric (OG&E) and Golden Spread Electric Cooperative (GSEC) (Waiver Requests – Attachment 11). The MOPC took the following action with regard to these waiver requests:

- Rejected SPP Staff's recommendation on OG&E waiver request.
- Directed SPP Staff to present and discuss its recommendation in addition to the criteria used to evaluate a waiver to the CAWG for their direction and recommendation prior to the next MOPC meeting.
- Recommendation to the BOD that unusual circumstances exist with the OG&E waiver and

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the 120 day deadline should be extended to the end of January, 2007.

- Westar waiver not considered at MOPC as request not received until October 13, 2006.

2007 Budget Approval - continued

President Bode presented the results of the RSC Budget discussion. The RSC Budget is planned for a two year cycle. RSC staff recommended an additional \$53,000 be added to the draft 2007 and the 2008 budget years. This increase is due mostly to travel and the expectation of additional meetings. **Vice President Parsley moved to approve the 2007 & 2008 Budget as amended. Commissioner Gaw seconded the motion, which passed unanimously.**

Scheduling of Next Regular Meeting, Special Meetings or Events:

President Bode noted that the next regularly scheduled RSC meeting is in San Antonio, Texas on January 29, 2007. If needed, a teleconference will be scheduled to discuss the January Technical Conference agenda.

With no further business, the meeting was adjourned.

Respectfully Submitted,

Les Dillahunty

Regional State Committee
For the Twelve Months Ending December 31, 2006
Budget vs. Actual
DRAFT

| | YTD Actuals | YTD Budget | Variance | |
|------------------------------|---------------|----------------|------------------|-----|
| Income | | | | |
| Other Income | 72,112 | 448,530 | (376,418) | (A) |
| Total Income | 72,112 | 448,530 | (376,418) | |
| Expense | | | | |
| Meetings | 72,112 | 248,530 | (176,418) | (B) |
| Cost Benefit Studies | | 200,000 | (200,000) | (C) |
| Total Expense | 72,112 | 448,530 | (376,418) | |
| Net Income (Loss) | - | - | - | |

- (A) YTD revenue is less than budget given that ytd expenses are less than budget.
(B) YTD meeting costs are less than budget due to less than anticipated costs associated with meetings held in 2006.
(C) YTD study costs are less than budget as no studies have been conducted in 2006.

Alternative Approaches to Economic Upgrades in SPP

CAWG Report to
SPP RSC
January 29, 2007

Background

- At the October meeting of the SPP RSC the CAWG was directed to develop alternatives to the current policy of participant funding of Economic Upgrades.
- This was in conjunction with the SPP Strategic Planning Committees determination that Economic Upgrades to the transmission system were not getting built under the current policy, and that alternative approaches needed to be considered in order to expand construction of economic transmission in the SPP footprint.

2

Current Approach to Economic Upgrades

- Currently, SPP transmission planning for economic upgrades considers various proposals on a project by project basis.
- The Economic Modeling and Methods Task Force report details how proposed projects are screened:
 - Section 2.2. Screening Analysis: “During the creation of each Plan, SPP Staff will analyze a wide variety of possible transmission upgrades identified by SPP Staff or suggested by market participants. The purpose of the screening analysis is to identify those potential upgrades that are most likely to produce positive benefits and which, therefore, will be subject to more detailed analysis as described in this protocol.”
 - This screening analysis is performed using a security constrained dispatch model for summer only and multiplied by two (2) to estimate annual savings that are then compared to the estimated cost of the project..
 - Projects are ranked by the Screening analysis based on the benefit to cost ratio of the projects.
- If an entity requests, SPP will then perform a more complete analysis involving a year-round, security constrained dispatch model to measure multi-year benefits from a candidate project.

3

Current Approach Continued

- The benefits calculated by SPP from the security constrained dispatch model are then compared to the cost of the project, and the distribution of benefits among the generation owners are included in the report.
- With participant funding, the expectation is for those benefiting from a project to come forward and agree to fund upgrades that have proven to be cost beneficial.
 - This includes not only SPP members but also those outside the SPP who benefit from the proposed transmission upgrades.

4

Alternative 1: Portfolio Approach

- CAWG recommends that instead of SPP transmission planning being done on a project-by-project basis, SPP should develop a PORTFOLIO of economic projects that provides **region-wide benefits** for the entire SPP footprint.
 - Instead of focusing on a single project, the emphasis should be on a set of projects that together provide region-wide benefits.

5

Reasons for A Portfolio Approach

- A single project will have some load serving entities or pricing zones benefiting more than others.
 - Because of the difficulty of accurately estimating the distribution of benefits for various load **servicing entities or pricing zones** over the life of a project, the allocation of costs for a specific project will become highly contentious.
- A portfolio of projects should be designed to distribute benefits **in a uniform fashion** on a region-wide basis.
 - There will be less contention regarding the distribution of benefits if all load zones are receiving fairly uniform benefits from a portfolio of projects.

6

Process Is Critical

- A regional planning process with the goal of developing a portfolio of projects that distributes benefits region wide should have a well designed process that allows stakeholders input at each stage.
- SPP should set out the various stages of its planning process, develop products/results for each stage, meet with stakeholders to obtain feedback and report back to stakeholders how their feedback was taken into account.
- Seams agreements with respect to determination of benefits and cost allocations for tier 1 entities is a crucial aspect of the process.

7

Timing Is Crucial

- This regional planning process should begin as soon as reasonably possible.
- The planning process should be completed in a one-year time period.
- A Portfolio of projects should span a multi-year time frame.
 - It is not likely that an entire portfolio of projects can be implemented all at the same time.
 - We suggest that SPP provide a portfolio for approval over at least a 7-to-10 year period (i.e., A 7-to-10 Year Plan)
 - Each year, the 7-to-10 Year Plan can be revised with new or changed circumstances.

8

Alternative 2: Higher Voltage Emphasis

- The emphasis of the SPP regional planning process should be on the development of Higher Voltage (345 kV or above) projects that are designed to better integrate the power grid within the SPP region and with its neighbors.
- However, a portfolio of economic upgrades will likely include lower voltage upgrades that are needed to deliver and distribute the benefits from these higher voltage projects.

9

Alternative 3: Benefit Metrics

- The CAWG has reviewed several measures being used by other RTOs for measuring benefits.
 - Currently, the CAWG can recommend the use of what is called Adjusted Production Cost Savings (APCS):
 - Overall, APCS measures the savings in production cost for the entire SPP footprint, including outside transmission systems directly connected to SPP (1st tier systems), where adjustments to production costs are made for imports into and exports out of SPP and its 1st tier systems.
 - APCS can also be measured for each utility (load-serving entity) as the change in production costs adjusted for changes in off-system purchases or sales of energy.

10

Development of Other Benefit Metrics is Essential

- Today's economic upgrades will mitigate future reliability upgrades.
 - It is essential to go beyond the shorter term benefits achieved by APCS in order to determine the long-term ramifications of economic upgrades.
- A more highly integrated power grid may result in lower levels of planning reserves needed to meet a targeted level of resource adequacy as measured by loss of load expectation.
- Increased transmission capability throughout the SPP footprint will likely result in greater levels of wholesale competition and reduce market power concerns.

11

Sensitivity Analysis is Critical

- Measures of APCS depend heavily on several key driver variables.
 - Fuel Costs
 - Renewable Portfolio Standard
 - Carbon Tax
 - Location and MW of New Generation
 - Location and MW of New Load, including demand-side resources.
- It is important in its evaluation of economic upgrades that SPP develop measures of the robustness of the benefits with respect to the key driver variable.

12

Alternative 4: Cost Allocation

- Cost allocation on a project-by-project basis is a contentious issue.
 - This is because specific projects are not seen as providing region-wide benefits. Thus, any discussion of a region-wide rate, whether it is for 20% (MISO) or 33% (SPP) raises significant concerns that some loads will be allocated more in costs than they can expect to receive in benefits.
 - This is also because dollar estimates of benefits are seen as short term, and allocations of costs are seen as long term.

13

4A: Severe Congestion


- SPP needs to first identify “severe” congestion that is limiting the proper functioning of the market.
 - The benefits from addressing this type of congestion **may** make it difficult for SPP to plan a balanced portfolio of projects.
 - If so, the most difficult task facing the CAWG will be how to allocate the costs of projects needed to first bring the SPP system up to a level playing field.

14

4B: Final Determination of Cost Allocation Should Wait Until the SPP Has Developed A Region-Wide Portfolio

- The CAWG recommends that no final determination be made on cost allocation until a portfolio of economic projects that provide region-wide benefits is developed.
 - Having a portfolio of projects will move the focus away from concerns that specific projects do not provide region-wide benefits and provide a basis for inclusion of a region-wide rate component.
 - This will also allow time for the development of long-term measures of benefits that will help to address concerns over just using short-term benefits to allocate long-term costs.
 - The CAWG will not wait for SPP to develop a portfolio to discuss various cost allocation alternatives, but does recommend that a final decision not be made until such a portfolio is available.

15



RSC 1/29/07 Meeting
RTWG Report on Unintended
Consequences related to the
Allocation of Cost from the
Base Plan Upgrades.

WWW.SPP.ORG

Unintended Consequences

- **Attachment L, Section III.D.2**
For each SPP Transmission Expansion Plan, SPP shall calculate the cost allocation impacts of the Base Plan Upgrades to each Transmission Customer within the SPP Region. The results will be reviewed for unintended consequences by the Regional Tariff Working Group and reported to the Markets and Operations Policy Committee and Regional State Committee.
- **RTWG reviewed the results from the SPP TEP and found the allocation of costs between Zones to be inconsistent**

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Unintended Consequences

- **Tariff currently describes that the Zonal portion of the Base Plan costs be allocated to the local zone and surrounding zones on a Net Change MW-mile basis.**
 1. **The Net Change MW-mile method sums all the increased and decreased flows in each zone.**
 2. **This was done project by project**
 3. **It was found that Net Change MW-mile gives inconsistent answers**

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Existing Methodology

Sum of Net MW-Mile Impacts, no minimums

| Zones | Project 1 | Project 2 | Project 3 | Project 4 | Project 5 | Project 6 | Project 7 | Project 8 | Project 9 | Project 10 |
|-------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| 1 | 0.66% | | 1.08% | | 31.88% | | | 22.25% | | |
| 2 | | | | | | | | | | |
| 3 | | | | | | | | | | |
| 4 | | | | | | 22.15% | 100.00% | | | |
| 5 | | | | | | | | | | |
| 6 | 1.84% | | 2.79% | | | | | | 14.06% | |
| 7 | 1.24% | | 5.16% | 100.00% | 68.12% | | | | | |
| 8 | 1.51% | | 0.75% | | | | | | 14.06% | |
| 9 | 0.42% | | 0.81% | | | | | | | |
| 10 | | | 0.43% | | | 30.81% | | 60.45% | 15.02% | 43.51% |
| 11 | | | 0.48% | | | 6.21% | | 2.08% | | 34.33% |
| 12 | 2.92% | | 1.19% | | | | | | 31.80% | |
| 13 | | | | | | | | | | 22.16% |
| 14 | 91.41% | 100.00% | 87.33% | | | 37.52% | | 11.45% | 25.05% | |
| 15 | | | | | | 3.33% | | 3.77% | | |

Project Line
Type: upgrade New Xfmr New Xfmr New Line New Line New Line New Line New Xfmr Xfmr Upgrd New Line

 Constructing TO

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Time Line

- **The RSC and BOD directed the RTWG to review the zonal allocation process in more detail**
- **The RTWG formed a task force to review various methodologies**
 - **The scope of the task force was limited to only review “What is the best method to do the Zonal allocation of the 2/3 component of BPF”**
- **The Task Force worked on the issues from August until the end of December.**

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Task Force Results

- 1. Change the allocation process in the tariff to the “Sum of Positive Impacts” as soon as possible.**
- 2. Recommends a minimum zonal allocation of \$100,000.**
- 3. Recommends that the RSC direct the CAWG give further consideration to altering the existing allocation methods to encourage the construction of new transmission.**

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Proposed Methodology

Sum of Positive MW-Mile Impacts, \$100,000 minimum

| Zones | Project 1 | Project 2 | Project 3 | Project 4 | Project 5 | Project 6 | Project 7 | Project 8 | Project 9 | Project 10 |
|-------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| 1 | | 6.56% | | 3.61% | 15.86% | 10.16% | | 7.77% | | 5.63% |
| 2 | | | | | | | | | | |
| 3 | | | | | | 2.63% | | | | |
| 4 | | | | | | 8.32% | 100.00% | | | |
| 5 | | | | | | 38.25% | | 67.41% | | |
| 6 | 1.84% | 5.75% | | 3.76% | | | | | | |
| 7 | | 21.25% | | 79.30% | 78.36% | 23.81% | | 15.05% | | 84.00% |
| 8 | | | | | | | | | | |
| 9 | | | | | | | | | | |
| 10 | | | | | | | | | | |
| 11 | | | | | | 4.82% | | | 100.00% | 4.39% |
| 12 | 1.51% | | | | | | | | | |
| 13 | | | | 8.97% | | | | | | 5.18% |
| 14 | 94.54% | 73.00% | 100.00% | 7.97% | | 12.35% | | | | 2.99% |
| 15 | 2.12% | | | | | | | | | |

Project Line
 Type: upgrade New Xfmr New Xfmr New Line New Line New Line New Line New Line New Xfmr Xfmr
 Upgrd New Line

 Constructing TO

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RTWG Conclusion

The RTWG agreed with the Task Force
**Recommendations: 6 in favor; 2 opposed;
 3 abstentions**

Opposed:

- 1. AEP – Didn't like the \$100,000 minimum allocation. Thought it might distort small project allocations**
- 2. EDE – Does not agree with the MW-Mile allocation process and believes that the entire allocation process needs to be reviewed.**

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RTWG Recommendation

The RSC accept the RTWG recommendations

1. Change the inter-zonal cost allocation process from “The sum of the Net MW-Mile impacts” to “The sum of the Positive MW-Mile impacts”.
2. A minimum allocation of \$100,000 to a zone be implemented.
3. Directs the CAWG to give further consideration to altering the existing regional/zonal allocation percentages and/or allocation methods for Base Plan Funded projects to encourage the construction of high voltage projects that have both economic and reliability benefits.

This Recommendation and tariff language was approved by the MOPC at their last meeting.

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**Helping our members work together
to keep the lights on...
*today & in the future***



SPP Engineering Staff Reports

**Regional State Committee (RSC)
January, 2007**

Overview

SPP Transmission Expansion Plan (STEP)

Overview of other planning studies

Supply Adequacy Audit

EHV Overlay Study

Westar Waiver

STEP Overview

Open and transparent process

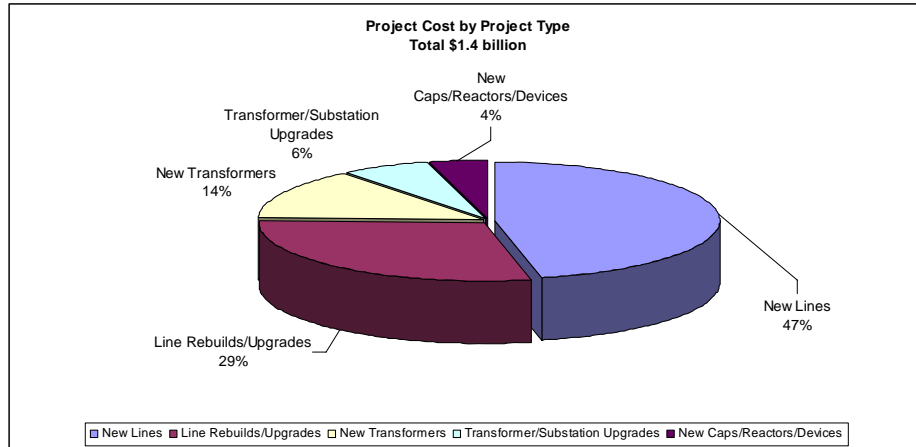
Comprehensive reliability assessment for 2006 – 2016 including steady-state, dynamic, as well as reactive reserve margin analyses and recommendations

\$1.4 billion of transmission projects for the years 2006 through 2016

Appendix A in the SPP Transmission Expansion Plan (STEP) report provides a detailed summary of every transmission project planned or needed in SPP through the planning horizon

Transmission reliability planning is based on expected total loads using approved resources for any combination of firm, confirmed transmission service sold based on traditional deterministic NERC and SPP Criteria

2006-2016 STEP Transmission Projects



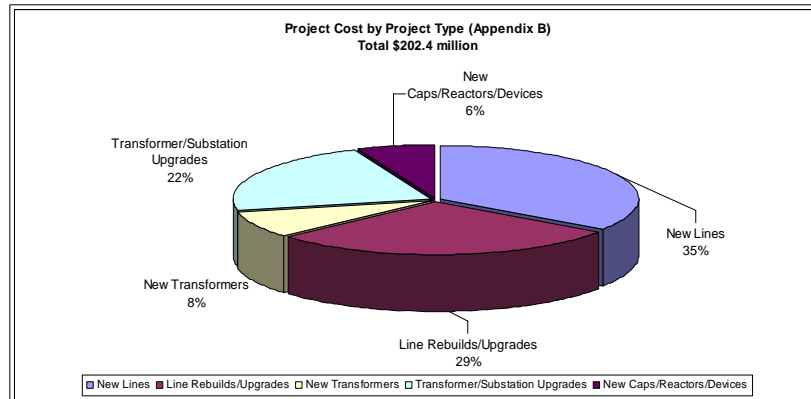
STEP Recommendations

#1 - The SPP Board of Directors (BOD) approves this 2006-2016 SPP Transmission Expansion Plan. The TWG and MOPC support this SPP RTO Staff recommendation.

#2 - The SPP BOD authorizes and directs the start of construction of projects listed in Appendix 'B' in this 2006 SPP Transmission Expansion Plan. The TWG supports this SPP RTO Staff recommendation. MOPC approved Recommendation #2 with a remand to the TWG to consider extending Appendix B beyond a 2 year commitment window for reliability projects through the entire planning horizon in the next STEP.

In response to MOPC direction, Staff has initiated project tracking with TWG members on all STEP projects to ensure that TOs "work the plan" and are taking steps to get reliability projects in long term capital budgets, work plans for permitting, ROW acquisition, etc. Quarterly status reports forthcoming with tracking metrics which will focus on status and costs.

2006-2016 STEP Appendix B Projects



Lessons Learned in Expansion Planning

SPP Transmission Expansion Plan Process and the SPP Aggregate Study Process needed to be better synchronized

Better project tracking is required

Need to clearly identify projects that are required for reliability

Need to clear up some confusion about how the Economic Planning assessment fits into the Expansion Plan

SPP Economic Modeling Process needs improved documentation and stakeholder involvement

Base Plan Upgrades

Base Plan Guidelines Task Force (BPGTF)

MOPC approved recommended guidelines in April 2006 which included potential base plan funding of projects driven by member standards/procedures, not SPP Criteria, through 2007.

Staff has recommended, and MOPC has approved, base plan funding for 53 projects and \$113M of E&C investment in the STEP. Cost allocations will be determined and shared with stakeholders after BOD approval.

Recommendations regarding cost recovery for projects associated with ineffective Transmission Operating Directives are being reviewed.

BPGTF is still formulating position on cost recovery for projects associated with NERC standard TPL-003.

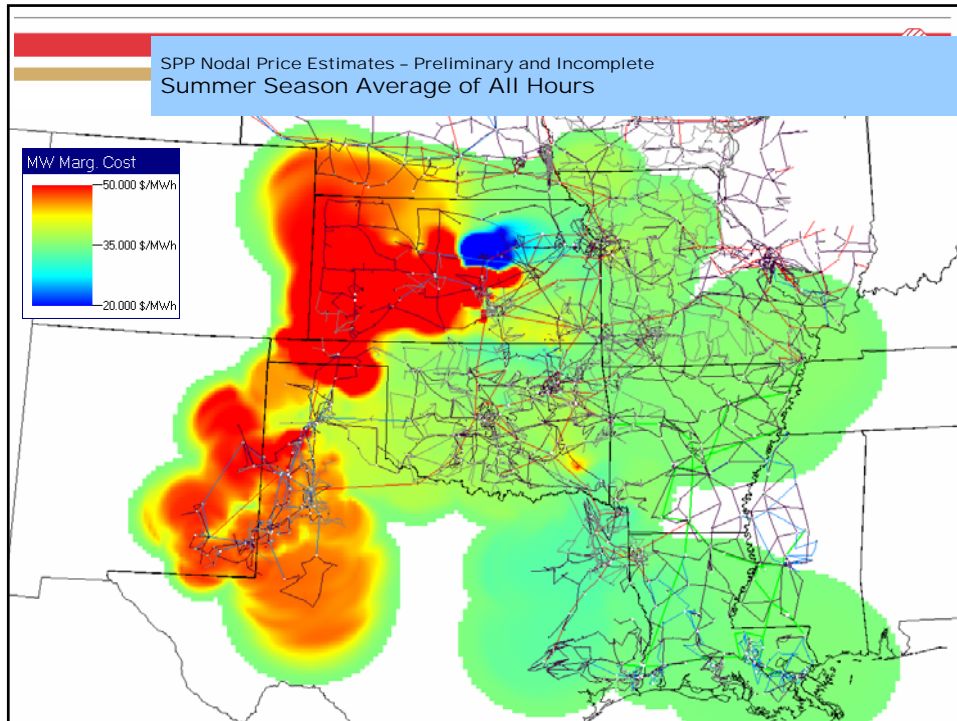
Economic Planning


Economics Modeling and Methods Task Force documented process, assumptions, and expected results

Screens in STEPs continue to identify several promising economic expansion projects within the SPP footprint

GED enhancing MarketSYM/PowerWorld to include Security Constrained Unit Commitment logic

SPP Staff evaluating PROMOD IV and GridView packages now under 90 day trials with training as well as benchmarking analysis in process



SOUTHWEST POWER POOL 

Other Transmission Expansion Studies

Texas CREZs

- SPP proposing 3rd leg of “X” plan with 345 kV line and 600MW HVDC tie into DFW
- 20% cost of ERCOT panhandle loop
- Save \$50M+/year in congestion costs

Other ERCOT Studies

- 200- 600 MW HVDC ties in West Texas & Panhandle areas look very promising
- Entergy QPRs with 450 – 1,050 MW HVDC
- Hugo II outlet and 400 MW HVDC

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Other Transmission Expansion Studies (cont.)

LPSC studies with support of Entergy ICT

Joint planning studies for TX/OK, as well as TX/LA/AR

Ozarks

KETA

MISO/SPP Joint Plan

DOE Congestion Studies for NIETCs



Supply Adequacy Audit

Supply Adequacy Audit

Last performed in 1999

SPP Staff will perform again in first quarter of 2007, coincident with EIA-411 data collection efforts

SPP staff must be able to rely on EIA-411 data to determine compliance against SPP capacity margin requirements, as well as calculations based on safe harbor provisions for Base Plan funding for new DRs under the SPP OATT

Careful review of EIA-411 data

- Net Dependable Capacity for wind can not be 100% of its total capacity
- Jointly owned generation must not be double counted
- All resources have long-term firm deliverability under SPP OATT
- All transactions match internal and external to SPP
- TDUs like AECC, KEPCO, etc. needs to be distributed properly
- Data needs to be compared with last year for any major changes/errors

Provide good foundation for new LOLE study to determine supply adequacy metrics



SPP EHV Overlay Study

Background

SPP Transmission Expansion Planning process in place and effective in identifying reliability needs, least cost solutions and potential economic upgrades through the 10 year planning horizon

Desire by Staff and others to identify long range vision for bulk power transmission network in SPP with input from independent entities with EHV experience

Monies budgeted and approved for consulting services to help with long range planning in SPP Engineering

Request for Proposal

Strawman drafted by Staff in 3rd Quarter 2006

Discussed at TWG meetings

Approved by TWG in November

Issued Dec 1st to dozen A/E firms

4 comprehensive proposals received by Dec 29th deadline

SPP EHV Overlay Contractors Selected



EHV Overlay Objectives

Create a blueprint for 345, 500, 765 kV or higher overlay needs in and around SPP

- **Identify an approach to determine impacts on existing SPP Criteria, e.g., reliability margins**

Approach to optimize existing assets in footprint

Recommendations on increased ties or synchronous operations with ERCOT and WECC

Next Steps

Statement of Work being finalized

White paper issued to outline objectives, as well as stakeholder feedback process and issues

Major agenda items at TWG meeting on February 7-8 in Tulsa

Completion slated for mid-2007 with interim milestones coordinated with SPP calendars

Appreciate support of members and stakeholders throughout the assessment

Questions/comments to EHVOverlay@spp.org

EHV Overlay White Paper

EHV Overlay planning process will be transparent and deliver a plan that is traceable, defensible and dynamic.

Process: Timeline and milestones

Need input on “futures” scenarios

Concepts: Transmission as an “enabler” and “hedge” that provides “flexibility”, as well as “reliability”



Westar Waiver Request

Background

Waiver requested Oct 13th in accordance with Section III.C.1 under SPP OATT Attachment J

Associated with OASIS Request 1086655 for new 20 year, 225 MW DNR at Spring Creek for Westar NITS

SPP recommending Rose Hill – Sooner 345 kV project to provide service, in lieu of 138 kV rebuilds of several flowgates between Northeast OK and Southeast KS

The 120 day deadline for responding to this waiver request expires Feb 10th

Staff Recommendation & MOPC Actions

Staff Assessment Regarding Waiver:

- Rose Hill – Sooner 345 kV project preferred due to:
 1. regional and long term benefits of project,
 2. increase in wholesale competition, and
 3. need for project to accommodate Red Rock outlet
- Recommend full Base Plan funding for Westar waiver

MOPC Actions

- Requested CAWG review and feedback
- After CAWG review and their unanimous support of waiver recommendation, the MOPC approved SPP Staff's recommendation to provide full Base Plan funding of Rose Hill – Sooner 345 kV project



Jay Caspary
Director, Engineering
501.614.3220
jcaspary@spp.org

2007, First Quarter: Recommended Base Plan Upgrades

The following are transmission reliability improvements that meet criteria for designation as Base Plan Upgrades in accordance with the proposed Base Plan Guidelines Task Force report and the SPP OATT.

| | |
|--------|-------------|
| Green | On Schedule |
| Orange | Unknown |
| Red | Delayed |

Base Plan Upgrade identified in the SPP Transmission Expansion Planning Process

| Area | Project Name | In-Service Date | 2006 Expansion Plan Date | Cost Estimate | On Schedule | Approved |
|-------------|---|-----------------|--------------------------|---------------|-------------|----------|
| 2006 | | | | | | |
| WERE | Line - Cities Service - 3rd & VanBuren 69 kV | Mar-06 | - | \$1,700,000 | Green | |
| WERE | Line - Circle - Hutchinson Energy Center 115 kV | Apr-06 | - | \$300,000 | Green | Apr-06 |
| AEPW | Line - Tontitown - Elm Springs REC 161 kV | May-06 | - | \$640,000 | Green | Apr-06 |
| WERE | Line - Midwest Solvent Jct 1 - Atchison Jct 2 69 kV | May-06 | - | \$35,000 | Green | Apr-06 |
| AEPW | Line - Lone Star South - Pittsburg 138 kV | Jun-06 | - | \$50,000 | Green | |
| AEPW | Device - Arsenal Hill 138 kV | Jun-06 | - | \$432,000 | Green | Apr-06 |
| AEPW | Device - Catoosa 138 kV | Jun-06 | - | \$394,000 | Green | Apr-06 |
| AEPW | Line - Carthage REC - Carthage T 138 kV | Jun-06 | - | \$690,000 | Green | Apr-06 |
| MIPU | Line - Craig Interconnection 161 kV | Jun-06 | - | \$75,000 | Orange | Apr-06 |
| OKGE | Line - Reno - Sunny Lane 69 kV | Jun-06 | - | \$100,000 | Orange | Apr-06 |
| OKGE | Line - Richards Tap - Richards 138 kV | Jun-06 | - | \$1,000,000 | Green | Apr-06 |
| OKGE | Line - Van Buren AVEC - VBI 69 kV | Jun-06 | - | \$50,000 | Green | Apr-06 |
| OKGE | Line - Brown - Explorer Tap 138 kV Ckt 1 | Jun-06 | - | \$25,031 | Green | |
| SWPS | XFR - Bailey Co 115/69 kV | Jun-06 | - | \$2,200,000 | Orange | Apr-06 |
| SWPS | XFR - Denver City 115/69 kV | Jun-06 | - | \$2,200,000 | Orange | Apr-06 |
| SWPS | XFR - Kress 115/69 kV | Jun-06 | Jun-07 | \$1,250,000 | Orange | Apr-06 |
| WFEC | Device - Rush Springs 69 kV | Jun-06 | - | \$90,000 | Green | |
| WERE | Multi - Morris - McDowell 230 kV | Jul-06 | - | \$7,224,000 | Green | Apr-06 |
| WERE | XFR - Butler 138/69 kV | Aug-06 | - | \$1,600,000 | Green | Apr-06 |
| MIPU | Line - Nevada 161 - Nevada Plant 69 kV | Oct-06 | - | \$536,000 | Orange | Apr-06 |
| KCPL | Line - Tomahawk - Bendix 161 kV | Dec-06 | - | \$528,600 | Orange | Apr-06 |
| SWPS | XFR - Hockley 115/69 kV | Dec-06 | - | \$2,750,000 | Orange | Apr-06 |
| WERE | Device - Clearwater 138 kV | Dec-06 | - | \$1,000,000 | Orange | Apr-06 |
| WERE | Device - UDALL 2 69 kV | Dec-06 | - | \$525,000 | Green | Apr-06 |
| WERE | Multi - HEC - 43rd & Lorraine - Tower 33 69 kV | Dec-06 | - | \$2,400,000 | Orange | Apr-06 |
| OKGE | Line - NE Enid - Glenwood 138 kV | Dec-06 | - | \$3,732,000 | Orange | |
| OKGE | Line - Razorback - Short Mountain 69 kV | Dec-06 | - | \$4,791,277 | Orange | |
| 2007 | | | | | | |
| AEPW | Line - Siloam Springs - Chamber Springs 161 kV | May-07 | - | \$6,627,225 | Green | Apr-06 |
| AEPW | Line - South Shreveport - SW Shreveport 138 kV | May-07 | - | \$130,000 | Green | Apr-06 |
| WFEC | Device - Pink Southwest 138 kV | - | Apr-07 | \$216,000 | Orange | |
| WFEC | Device - Snyder 69 kV | - | Apr-07 | \$100,000 | Orange | |
| AEPW | Line - 53rd & Garnett N. Tap - Tulsa Southeast 138 kV | Jun-07 | - | \$63,000 | Green | Apr-06 |
| AEPW | Line - Knox Lee - Oak Hill #2 138 kV | Jun-07 | Jun-10 | \$100,000 | Green | Apr-06 |
| AEPW | Line - Elk City - Elk City 69 kV | - | Jun-07 | \$100,000 | Orange | |
| AEPW | Line - Porter Hill - Elgin Junction 69 kV | - | Jun-07 | \$200,000 | Orange | |
| AEPW | Device - Broken Arrow Water 69 kV | - | Jun-07 | \$550,000 | Orange | |
| AEPW | Device - Hobart 69 kV | - | Jun-07 | \$550,000 | Orange | |
| AEPW | Line - Northwest Texarkana - Alumax Tap 138 kV | Jun-08 | Jun-07 | \$1,750,000 | Red | |
| EMDE | Line - ReinMiller - Tipton Ford 161 kV | Jun-07 | - | \$3,215,000 | Green | Apr-06 |
| GRDA | XFR - Stilwell City 161/69 kV | Jun-07 | - | \$1,800,000 | Green | Apr-06 |
| KCPL | Device - South Waverly 161 kV | Jun-07 | - | \$611,000 | Green | Apr-06 |
| KCPL | Line - Stilwell - Antioch 161 kV | Jun-07 | - | \$892,600 | Green | Apr-06 |
| MIPU | Line - Lake Road to Industrial Park 161 kV | Jun-09 | Jun-07 | \$250,000 | Red | |
| OKGE | Line - Richards - Piedmont 138 kV | Jun-07 | - | \$3,800,000 | Green | Apr-06 |
| SWPA | XFR - Norfork 161/69 kV | Jun-07 | - | \$1,300,000 | Green | Apr-06 |
| SWPS | XFR - Terry Co 115/69 kV | Jun-07 | - | \$2,375,000 | Green | Apr-06 |
| SWPS | XFR - Carlsbad Int 115/69 kV | - | Jun-07 | \$2,750,000 | Orange | |
| SWPS | XFR - Crosby Co Int 115/69 kV | - | Jun-07 | \$1,000,000 | Orange | |

| | | | | | | |
|------|--|--------|--------|-------------|--|--------|
| SWPS | XFR - Curry Co Int 115/69 kV | - | Jun-07 | \$1,000,000 | | |
| SWPS | XFR - Gaines Co Int 115/69 kV | - | Jun-07 | \$2,750,000 | | |
| SWPS | Device - San Andress Sub 115 kV | - | Jun-07 | \$750,000 | | |
| SWPS | XFR - Lubbock East 115/69 kV | Jun-08 | Jun-07 | \$2,750,000 | | |
| SWPS | XFR - Artesia 115/69 kV | Dec-10 | Jun-07 | \$2,750,000 | | |
| WEPL | Greensburg - Judson Large 115KV | - | Jun-07 | \$148,000 | | |
| WERE | Device - NE Parsons 138 kV | Jun-07 | Jun-07 | \$1,000,000 | | Apr-06 |
| WERE | Line - Golden Plain - Gatz 69 kV | - | Jun-07 | \$590,000 | | |
| WERE | Line - Hesston - Golden Plain 69 kV | - | Jun-07 | \$1,250,000 | | |
| WERE | Line - HTI Junction - Circleville 115 kV | - | Jun-07 | \$2,360,000 | | |
| WERE | Device - Nortonville 69 kV Cap | - | Jun-07 | \$564,000 | | Apr-06 |
| WERE | Device - Parsons 69 kV | Jul-07 | Jun-07 | \$525,000 | | Apr-06 |
| WERE | Device - Sunset 69 kV | Jun-08 | Jun-07 | \$550,000 | | |
| WERE | XFR - County Line 115/69 kV | Jul-09 | Jun-07 | \$1,700,000 | | |
| WERE | Line - Stranger Creek - Thornton Street 115 kV | Jul-09 | Jun-07 | \$2,500,000 | | |
| WFEC | Line - ACME - W Norman 69 kV | - | Jun-07 | \$912,000 | | |
| WFEC | Device - Cashion 69 kV | - | Jun-07 | \$108,000 | | |
| WFEC | Device - Comanche 138 kV | - | Jun-07 | \$350,000 | | |
| OKGE | Line - Westmoore - Pennsylvania 138 kV | Jun-09 | Oct-07 | \$250,000 | | |
| SWPS | XFR - Hale Co 115/69 kV | Dec-07 | - | \$2,900,000 | | Apr-06 |
| WFEC | Line - Bradley - Rush Springs 69 kV | - | Dec-07 | \$1,656,000 | | |
| WFEC | Line - Elmore - Wallville 69 kV | - | Dec-07 | \$1,488,000 | | |

2008

| | | | | | | |
|------|--|--------|--------|--------------|--|--|
| AEPW | Line - Bann - Kings Highway 69 kV | Jun-08 | - | \$50,000 | | |
| AEPW | Multi - Fayetteville 69 to 161 kV conversion | Jun-08 | Jun-08 | \$21,000,000 | | |
| EMDE | Multi - Riverdale - Ozarks 161 kV | Jun-08 | Jun-10 | \$14,057,000 | | |
| EMDE | Line - Sub 167 - Riverton - Sub 406 - Riverton S 69 kV | - | Jun-08 | \$20,000 | | |
| OKGE | Line - Etowah - Tribbey 69 kV | Jun-08 | - | \$1,900,000 | | |
| SWPS | XFR - Mustang Sta N. 230/115 kV | - | Jun-08 | \$3,000,000 | | |
| SWPS | Device - Bowers 69 kV | - | Jun-08 | \$300,000 | | |
| WERE | Line - Coffeyville - CRA 69 kV | - | Jun-08 | \$250,000 | | |
| WERE | Line - Dearing - Coffeyville 69 kV | - | Jun-08 | \$390,000 | | |
| WFEC | Line - Sayre - Morewood 138 kV | - | Jun-08 | \$12,000,000 | | |
| WERE | Line - Murry Gill Energy Center - MacArthur 69 kV | Jul-07 | Jun-08 | \$143,000 | | |
| WERE | Multi - Hutchinson 115 kV conversion | Dec-08 | - | \$1,900,000 | | |
| MIDW | Multi - Knoll - Hays - Vine 115 kV | Jun-09 | Jun-08 | \$536,000 | | |
| SWPS | XFR - Cochran 115/69 kV | Sep-09 | Jun-08 | \$2,750,000 | | |
| MIPU | Line - Blue Springs - Duncan Road 161 kV | Jun-10 | Jun-08 | \$1,605,500 | | |
| SWPS | XFR - NE Hereford 115/69 kV | Jun-10 | Jun-08 | \$1,750,000 | | |
| WERE | Device - 3rd & VanBuren 115 kV | Jul-10 | Jun-08 | \$500,000 | | |

Total: \$155,700,233

Base Plan Upgrade recommendations identified in the Aggregates Study Process

| Area | Project Name | In-Service Date | | Cost Estimate | On Schedule | Approved |
|------|--|-----------------|--|---------------|-------------|----------|
| AEPW | Line-EAST CENTRAL HENRYETTA - OKMULGEE 138KV | Apr-06 | | \$52,277 | | N/A |
| AEPW | Line - Okmulgee - Weleetka 138 kV | Apr-06 | | \$84,000 | | N/A |
| AEPW | Line - Cache - Snyder 138kV | Jun-08 | | \$73,348 | | N/A |
| AEPW | Line - NW Henderson - Oak Hill 138 kV | Jun-08 | | \$75,000 | | N/A |
| OKGE | Line - Wind Farm - Mooreland 138 kV | Jun-08 | | \$120,000 | | N/A |
| WFEC | Line - Wind Farm - Mooreland 138 kV | Jun-08 | | \$750,000 | | N/A |

Total: \$1,154,625

SOUTHWEST POWER POOL REGIONAL STATE COMMITTEE

FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2005

with

REPORT OF INDEPENDENT AUDITOR

PATRICIA SALMAN & ASSOCIATES, PLLC
Certified Public Accountants
866-941-2010

CABOT OFFICE:

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Cabot, AR 72023
Mailing address: P. O. Box 1333
Cabot, AR 72023
Phone: 501-941-2010
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LITTLE ROCK OFFICE:

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Report of Independent Auditor

Board of Directors
Southwest Power Pool Regional State Committee

We have audited the accompanying statement of cash receipts and disbursements of Southwest Power Pool Regional State Committee, (a non-profit organization, public-benefit corporation) for the year ended December 31, 2005. This financial statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement of cash receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of cash receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of Southwest Power Pool Regional State Committee, for the year ended December 31, 2005, on the basis of accounting described in Note 1.

Patricia Salman & Associates, PLLC

September 21, 2006

SOUTHWEST POWER POOL REGIONAL STATE COMMITTEE
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | | |
|------------------------------|--|-------------------|
| CASH RECEIPTS | | |
| Reimbursements | | \$ <u>982,661</u> |
| | | 982,661 |
| CASH DISBURSEMENTS | | |
| Administrative | | 6,023 |
| Meetings | | 9,007 |
| Professional consultant fees | | 919,444 |
| Travel | | <u>48,187</u> |
| Total | | <u>982,661</u> |
| CHANGE IN CASH | | - 0 - |
| CASH - December 31, 2004 | | <u>- 0 -</u> |
| CASH - December 31, 2005 | | <u>\$ - 0 -</u> |

See accompanying notes and accountant's report.

SOUTHWEST POWER POOL REGIONAL STATE COMMITTEE
NOTES TO FINANCIAL STATEMENT

Note 1: Significant Accounting Policies

Nature of Operations

The primary purpose of SOUTHWEST POWER POOL REGIONAL STATE COMMITTEE (the Organization) is to provide collective state regulatory agency input to Southwest Power Pool, Inc. on matters of regional importance related to the development and operation of bulk electric transmission. The Southwest Power Pool Regional State Committee is comprised of retail commissioners from agencies in Arkansas, Kansas, Louisiana, Missouri, New Mexico, Oklahoma and Texas.

The Organization is incorporated in the State of Arkansas as a public-benefit corporation.

Basis of Presentation

The accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(4) of the U.S. Internal Revenue Code, except for taxes pertaining to unrelated business income. No provision for income taxes was required for the period ended December 31, 2005.

Note 2: Related-party transactions

The Organization provides regulatory input to Southwest Power Pool, Inc., which in turn provides administrative financial funding for the Organization. Funding for this reporting period was approximately \$983,000.



Board of Directors Evaluation

Overview

- Third year to conduct survey
- Sent to Board Members / Members Committee / MOPC Chair
- 15 completed surveys
- Survey opened Nov. 14 and closed Dec.1

Respondents:

| | |
|---------------------|------------|
| Member | 60% |
| Board Member | 40% |

Please see materials for answers to questions 2-13

Please list 3-5 points on which the Board of Directors should focus attention in 2007.

- Market Implementation
- Transmission Planning and Expansion
- Organizational Effectiveness
- Focus on Reliability
- Corporate Metrics
- Staff Role

Please see materials for complete answers

Board of Directors Evaluation Results

| Considerations | 5 Strongly Agree | 4 | 3 | 2 | 1 Strongly Disagree | 2006 Results | 2006 Average | 2005 Average | 2004 Average |
|--|------------------------|----------------|----------------|-------|---------------------------|------------------|-----------------|-----------------|-----------------|
| Board members understand the organization's mission and its services | 2 - D 1 - M | 4 - D | 5 - M | 3 - M | | 4.33 D 2.89 M | 3.47 | 3.64 | 3.50 |
| Board has clear goals and actions resulting from relevant and realistic strategic planning | 1 - D | 2 - D 3 - M | 3 - D 4 - M | 2 - M | | 3.67 D 3.11 M | 3.33 | 3.29 | 3.39 |
| Board effectively represents the organization to the stakeholder community | 1 - D 1 - M | 4 - D 3 - M | 1 - D 2 - M | 2 - M | 1 - M | 4.00 D 3.11 M | 3.47 | 3.57 | 3.28 |
| Board meetings facilitate focus and progress on important organizational matters | 1 - D 1 - M | 4 - D 3 - M | 1 - D 4 - M | 1 - M | | 4.00 D 3.44 M | 3.67 | 3.57 | 3.72 |
| Board regularly monitors and evaluates progress toward strategic goals and objectives | 1 - M | 3 - D 2 - M | 2 - D 4 - M | 1 - M | 1 - M | 3.60 D 3.11 M | 3.29 | 3.43 | 3.22 |
| Board considers the diverse positions of the membership in a non-discriminatory manner | 6 - D 1 - M | 5 - M | | 3 - M | | 5.00 D 3.44 M | 4.07 | 3.64 | N/A |



2006 Stakeholder Satisfaction Survey

Stakeholder Satisfaction Survey

- Second year to conduct survey
- Survey results are one metric in employee performance compensation plan (with Reliability and Cost Control)
- Sent to 484 stakeholders (members, customers, regulators, vendors, organizational group members, contract services customers) (2005, 246 stakeholders)
- 164 completed surveys (2005, 87 completed)
- 34% return rate (2005, 35%)

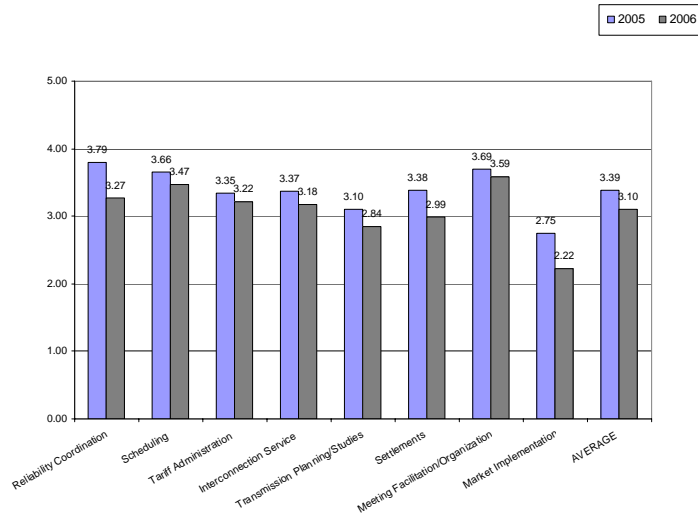
Relationship with SPP

| | |
|-------------------|------------------|
| Member | 62% / 49% |
| Customer | 20% / 17% |
| Regulatory | 3% / 8% |
| Vendor | 7% / 24% |
| Other | 8% / 1% |

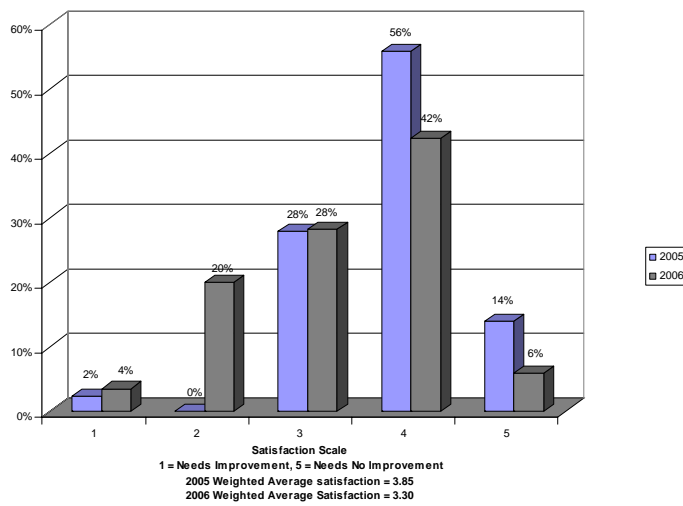
How Often do you Interact with SPP?

| | |
|---------------------------|------------|
| Daily | 27% |
| Weekly | 43% |
| Monthly | 22% |
| A few times a year | 10% |
| Rarely | 2% |

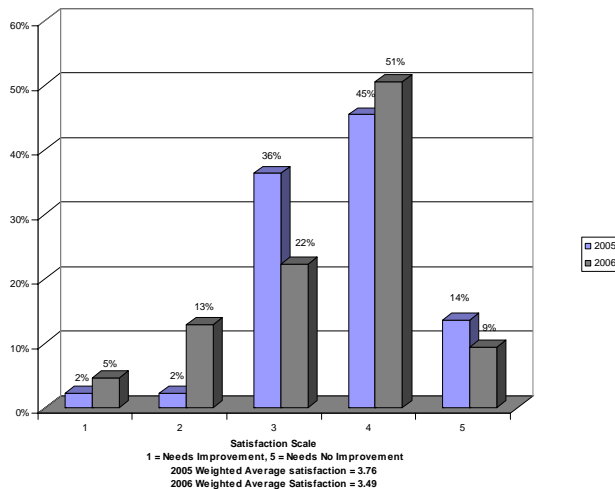
Summary: Satisfaction with SPP Services



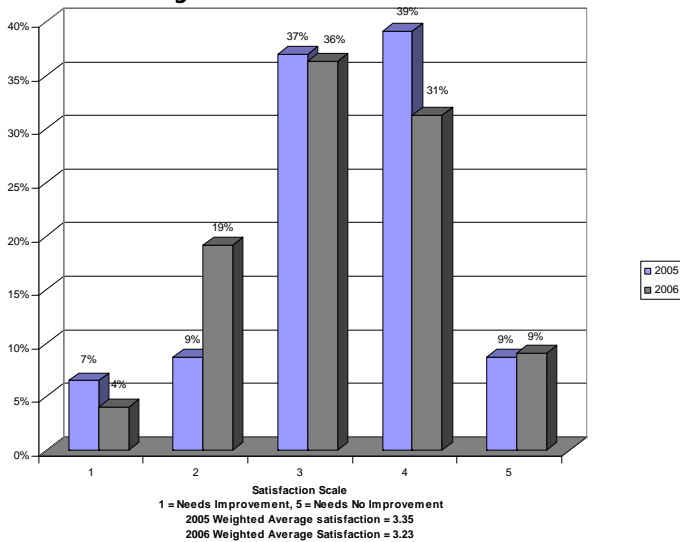
How Satisfied are you with Reliability Coordination?



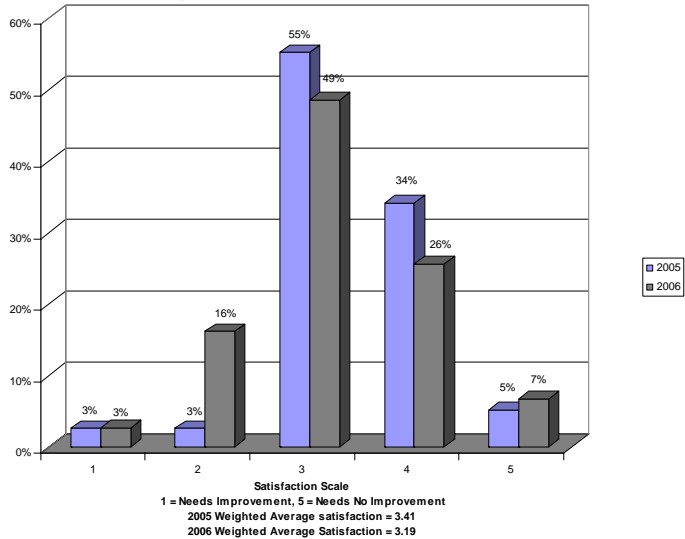
How Satisfied are you with Scheduling?



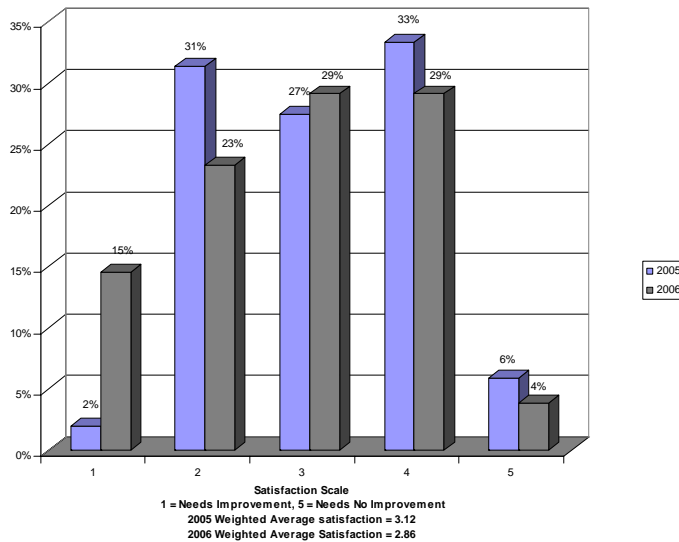
How Satisfied are you with Tariff Administration?



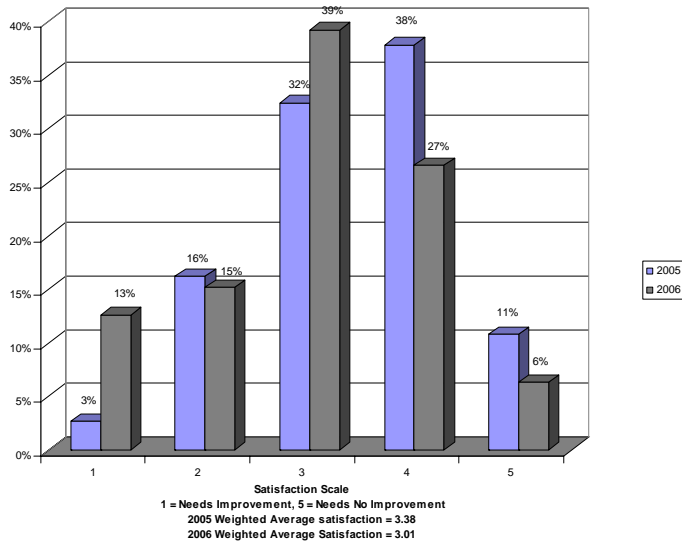
How Satisfied are you with Interconnection Service?



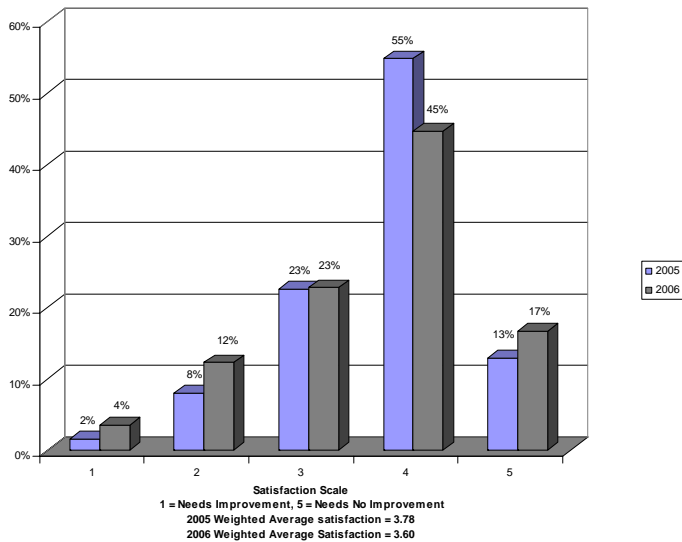
How Satisfied are you with Transmission Planning and Studies?



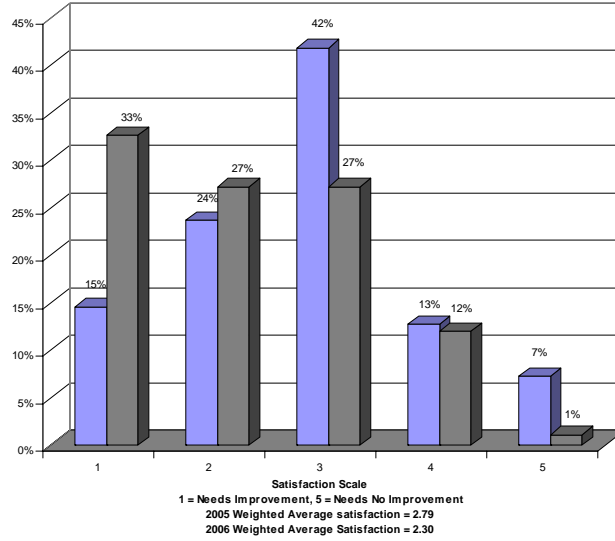
How Satisfied are you with Settlements?



How Satisfied are you with Meeting Facilitation/Organization?



How Satisfied are you with Market Implementation?



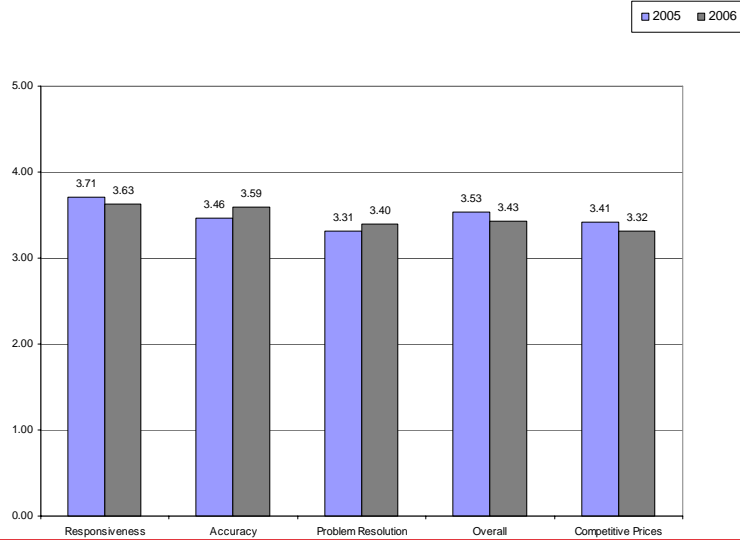
Do you interact with other regional organizations and/or transmission providers?

| | |
|------------------|-----------------|
| Yes - 57% | No - 43% |
|------------------|-----------------|

Overall, how does SPP compare?

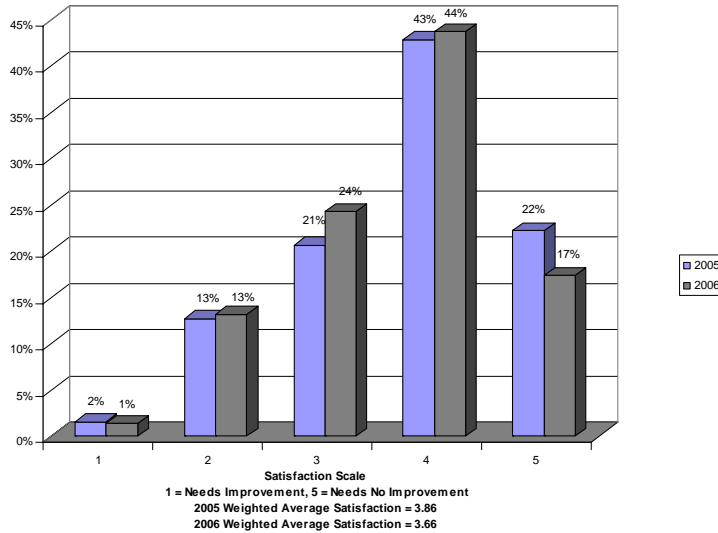
| | |
|------------------------|------------|
| Much worse | 3% |
| Somewhat worse | 16% |
| About the same | 43% |
| Somewhat better | 25% |
| Much better | 12% |

Summary: Satisfaction with SPP Customer Service



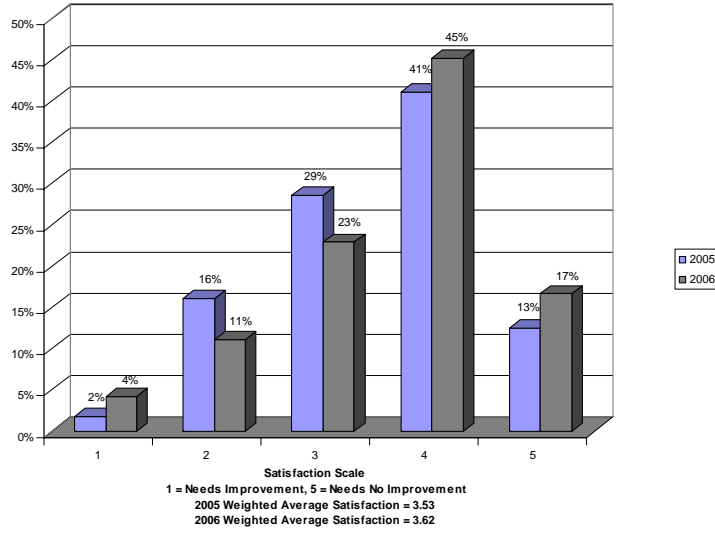
Responsiveness

Staff responsive to my needs



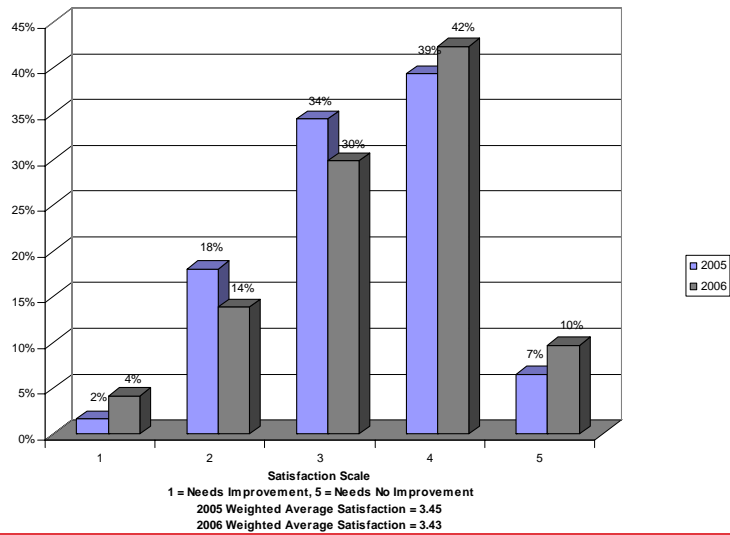
Accuracy

Staff provides accurate information upon request



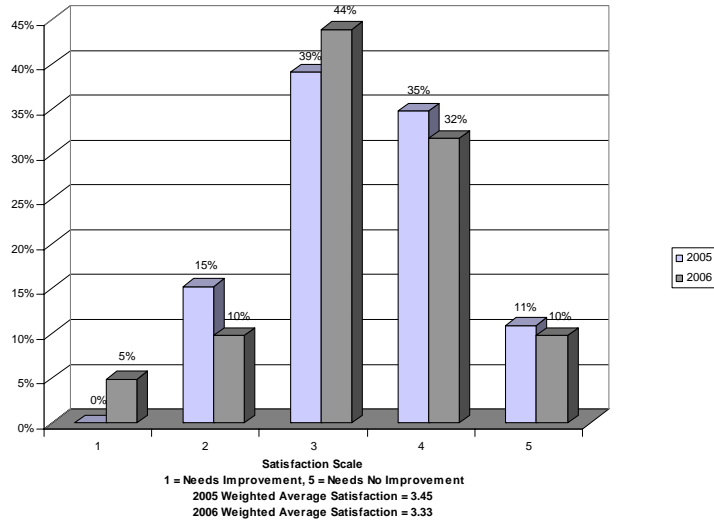
Problem Resolution

Staff resolves problems to my satisfaction



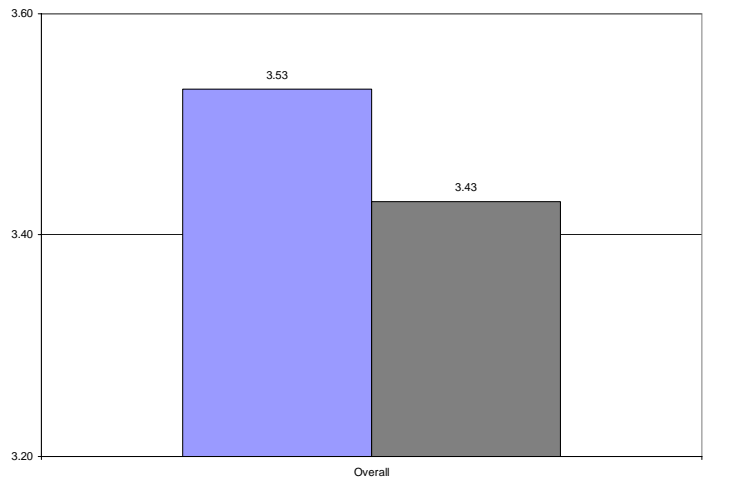
Competitive Pricing

SPP's services are competitively priced



Overall Satisfaction

SPP Overall Customer Service



Do you participate in SPP committee, working group, or task force meetings?

Yes - 65% **No - 35%**

| | Needs Improvement 1 | 2 | 3 | 4 | Needs No Improvement 5 |
|--|-------------------------------|----------|----------|----------|----------------------------------|
| Schedules/ logistics communicated in timely and clear manner | 4% | 9% | 15% | 49% | 24% |
| Facilities planned appropriately and meet group needs | 1% | 6% | 19% | 50% | 25% |
| Materials well-prepared and distributed in timely manner | 7% | 17% | 27% | 35% | 14% |

Please list 1-2 characteristics of SPP with which you are satisfied (102 responses)

- Willingness to Help
- Timely response
- Staff members: friendly, polite, courteous, patient
- Staff are knowledgeable and skilled
- Regulatory and compliance support
- Facilitation skills
- Website / Webcasts
- Reliability / Operations

Please list 1-2 characteristics of SPP with which you are dissatisfied (101 responses)

- Transmission studies and process
- Settlements processes and Billing (outdated, lack of detail)
- Focused on Market at expense of other services
- Meeting materials not timely
- Regional operations training
- Perception that SPP lacks internal communication
- Should be more active on new transmission construction and reconfiguration
- Market Implementation
- Responses not timely

Please share any remaining thoughts about your satisfaction with SPP (56 responses)

- Board of Directors needs to be more knowledgeable and responsive
- “Very impressed with SPP staff”
- Need to increase external communication
- Aggregate study process needs improvement
- “SPP staff seems stressed and overworked”



SPP Emergency Response Plan

Michael Desselle
VP Process Integrity

January 29, 2007

Emergency Response Plan

- Created by inter-departmental team of employees
- Some content original; some content originated with plans from:


MISO
OGE
California ISO
ERCOT
AESO
Acxiom

Major Areas of Focus

- Internal Coordination
- Crisis Communication
- Information Systems Incident Response
- Emergency Situations
- Building Evacuation (all employees)
- Operations Evacuation to Backup Center
- Power System Restoration

Internal Coordination


- Emergency Declaration
- Emergency Operations Center: supplies needed, suggested locations
- Emergency Response Team: executives and officers
- First Tasks of Emergency Response Team
- Crisis Worksheet

SOUTHWEST POWER POOL 

Crisis Communications

- Policies and Principles
- Crisis Communications Team:
executive, officers, communications, and customer relations staff
- Constituencies requiring communication:
 - ✓ BOD / Members Committee ✓ Members and Customers
 - ✓ Regulators ✓ State Departments of Emergency Management
 - ✓ Governors' Offices ✓ Media: Industry, AP wire by state, Arkansas
 - ✓ Little Rock/Maumelle government ✓ Federal agencies

WWW.SPP.ORG 5


SOUTHWEST POWER POOL 

Crisis Communications

- Crisis Communications Worksheet
- Sample news releases

- ✓ Widespread Blackout
 - ✓ Rolling Blackouts
 - ✓ Power Restored


WWW.SPP.ORG 6

SOUTHWEST POWER POOL 

Information Systems Incident Response

- Recommended policies
- Information Systems Incident Response Team
- Incident Notification and Analysis
- Remediation and Restoration

WWW.SPP.ORG 7

SOUTHWEST POWER POOL 

Emergency Situations

- Fire
- Tornado
- Medical emergency
- Bomb threat
- Hostage situation
- Chemical or biological agent exposure

WWW.SPP.ORG 8

Building Evacuation

- Safety First Teams for each floor
- Evacuation plan, rules, and map
- Drills and training

Operations Evacuation to Backup Center

- Process for moving to backup center
- Forms, checklists, phone tree, and maps

Power System Restoration

- Regional BlackStart Capability Plan
- Regional BlackStart Restoration Plan

Plan Implementation

- Assign a Project Manager
- Involve Training Department
- Write detailed Business Continuity plans
- Create Message 911 lists for broadcast messaging
- Purchase materials for Emergency Operations Center
- Create and train Floor Safety Teams
- Create employee handbook and evacuation maps for hallways

2007 Training and Drills

- Plaza West Building Evacuation drill: 1st or 2nd quarter
- Backup Site Drills: Jan, Feb, Oct, Nov
- Sub-Regional BlackStart training drills: March, April, May, Sept, Oct, Nov
- Regional BlackStart training drills: March and Dec
- Crisis Communications Team and Emergency Response Team Drills will occur with a BlackStart or Backup Site drill
- May engage vendor to assist with Crisis Communications Team and Emergency Response Team training and drills



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