



Southwest Power Pool, Inc.

STAFF

Recommendation to the Corporate Governance Committee

June 17, 2019

“Load Serving Entity” and “Non-Load Serving Entity” Definitions for Membership Agreement

Background

The terms “Load Serving Entity” and “Non-Load Serving Entity” are employed in section 4.2.1(b) of the Membership Agreement with regard to the withdrawal deposit, with the former term presently defined in both Attachments C (Methodology to Assess Available Transfer Capability) and AE (Integrated Marketplace) to the SPP Open Access Transmission Tariff:

Section 1.2.11 of Attachment C defines “Load Serving Entity” as an entity that “[s]ecures energy and transmission service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.”

Similarly, Section 1.1 L of Attachment AE defines the term as,

[a] distribution utility or an electric utility that has a service obligation, where a service obligation, as defined in Section 217(a) of the Federal Power Act, means a requirement applicable to, or the exercise of authority granted to, an electric utility under Federal, State, or local law or under long-term contracts to provide electric service to end-users or to a distribution utility.

Analysis

To promote clarity, SPP staff proposes to define “Load Serving Entity” and “Non-Load Serving Entity” in the Membership Agreement. The “Load Serving Entity” definition proposed represents a combination of the existing Attachments C and AE definitions for the term.

Pursuant to section 8.12 of the SPP Membership Agreement, the Board of Directors may adopt revisions to the Membership Agreement following a 30-day written notice to the Membership of the proposed revisions. An affirmative vote of at least five directors is required to approve amendments to the Membership Agreement.

Recommendation

Approval of the Membership Agreement revisions as discussed herein and reflected in the attached redline of Membership Agreement section 1.0.

Action Requested: Approve Recommendation

Southwest Power Pool, Inc. as of 4/23/2019
Electric TCS and MBR

Governing Documents Tariff

Effective Date: 09/01/2018

Status:

Effective

FERC Docket: ER18-02383-000 2940

FERC Order: Delegated Letter Order

Order Date:

10/17/2018

Section 1.0, MA 1.0 Definitions, 5.0.0 A

This Agreement is made between the Member and SPP, as defined herein.

1.0 Definitions

Agreement

This Membership Agreement.

Basin Electric Amendments

The amendments and revisions to the SPP OATT, to Basin Electric Power Cooperative's ("Basin Electric's") Network Integration Transmission Service Agreement, or to Basin Electric's Network Operating Agreement necessary for Basin Electric's initial SPP membership or as they may be revised in the future by agreement between Basin Electric and SPP.

Board of Directors

The Board of Directors elected pursuant to the Bylaws.

Bylaws

SPP's Bylaws or any successor document.

Distribution Facilities

Facilities that are the subject of a separate distribution charge pursuant to the Open Access Transmission Tariff.

Eastern Interconnection

One of the three major alternating-current electrical grids in North America. The Eastern Interconnection reaches from Central Canada eastward to the Atlantic coast (excluding Quebec), south to Florida, and back west to the foot of the Rockies (excluding most of Texas).

Effective Date

This Agreement is effective on January 1, 2000 or upon the date of execution by Member if after January 1, 2000.

Electric Transmission System

The transmission facilities subject to SPP's tariff administration, except for any Distribution Facilities.

Existing Obligations

Shall have the meaning given in Section 4.3.2(b).

Federal Power Marketing Agency

This term shall include the term “Federal Power Marketing Administration” and have the same definition that is set forth in the Federal Power Act at 16 U.S.C. § 796(19), which defines “Federal power marketing agency” as “any agency or instrumentality of the United States (other than the Tennessee Valley Authority) which sells electric energy[.]”

Federal Power Marketing Agency Amendments

The amendments and revisions to the SPP Bylaws, the SPP Membership Agreement, and Section 39.3 of the OATT that are required by a Federal Power Marketing Agency for initial SPP membership or as they may be revised in the future by mutual agreement between a Federal Power Marketing Agency and SPP.

Federal Power-Western-UGP

All capacity and energy generated at reservoir projects under the control of the Department of the Army or the Bureau of Reclamation in the marketing area of the Western-UGP for the purpose of fulfilling Western-UGP’s Statutory Load Obligations for the sale of capacity and energy. This shall also include any capacity and energy delivered to or from Western-UGP under the pre-OATT bi-directional agreement with Southwestern Power Administration through Associated Electric Cooperative, Inc. for delivery and receipt at the Maryville Substation. Western-UGP’s deliveries to Southwestern shall be considered part of Western’s Statutory Load Obligations, and receipts from Southwestern to Western-UGP will be considered as coming from Federal resources. Federal Power-Western-UGP resources shall be eligible to be considered as Designated Resources.

FERC

The Federal Energy Regulatory Commission or successor organization.

Financial Obligations

Shall have the meaning given in Section 4.3.2(b).

Future Interest

Shall have the meaning given in Section 4.3.2(b).

Good Utility Practice

Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act, to the exclusion of all others, but rather to be a range of acceptable practices, methods, or acts generally accepted in the region. SPP Criteria and NERC Policies and Standards are considered Good Utility Practice.

Heartland Amendments

The amendments and revisions to the SPP OATT, to Heartland Consumers Power District's ("Heartland's") Network Integration Transmission Service Agreement, or to Heartland's

Network Operating Agreement necessary for Heartland's initial SPP membership or as they may be revised in the future by agreement between Heartland and SPP.

Load Serving Entity (LSE)

A Member that: (1) is a distribution utility or an electric utility that has a service obligation, where a service obligation, as defined in Section 217(a) of the Federal Power Act, means a requirement applicable to, or the exercise of authority granted to, an electric utility under Federal, State, or local law or under long-term contracts to provide electric service to end-users or to a distribution utility (as defined in Section 217(a) of the Federal Power Act); and/or (2) secures energy and transmission service (and related Interconnected Operations Services) to serve the electric demand and energy requirements of its end-use customers. A Load Serving Entity may or may not be a Transmission Owner or transmission customer under the OATT.

Member

Signatory to this Agreement that has completed the application requirements pursuant to the Bylaws.

NERC

North American Electric Reliability Corporation or successor organizations.

Non-Load Serving Entity

A Member that is not a Load Serving Entity.

Non-Transmission Owner

A Member that is not a Transmission Owner. A Non-Transmission Owner that owns or controls Tariff Facilities may have its status changed to a Transmission Owner under this Agreement upon notice to SPP and execution of this Agreement as a Transmission Owner.

Open Access Transmission Tariff (OATT)

The SPP nondiscriminatory, Open-Access Transmission Tariff (OATT) on file with FERC pursuant to Section 205 of the Federal Power Act under which SPP will offer transmission service, or any such successor tariff.

Partial Termination

Shall have the meaning given in Section 4.1.

Regional Entity

An entity having enforcement authority delegated to it by NERC pursuant to a delegation agreement accepted by FERC.

Reliability Coordinator

SPP, in performing its reliability coordinator function as recognized by NERC pursuant to its policies, and pursuant to SPP Criteria and this Agreement.

SPP

Southwest Power Pool, Inc., or successor organization.

SPP Criteria

SPP's approved operating and planning criteria.

SPP Region

The geographic area encompassing the transmission systems of Members that are Transmission Owners.

Standards of Conduct

SPP's Standards of Conduct that apply to the conduct of its directors, officers, employees, contractors, and agents.

Statutory Load Obligations

Western-UGP's power marketing function obligations under Federal law to deliver capacity and energy from the output of the Federal hydroelectric projects operated by the Department of the Army and the Bureau of Reclamation to loads which include project use loads, preference power customer loads defined pursuant to a power marketing plan, and other loads required to be served under Federal law.

Tariff Facilities

The Electric Transmission System and the Distribution Facilities subject to SPP's tariff administration.

Termination

Shall have the meaning given in Section 4.1.

Termination Date

Shall mean the date of Termination is effective in accordance with Section 4.2.2(b).

Transmission Customer

A customer under the Open Access Transmission Tariff

Terminated Member

An entity that was a Signatory to this Agreement but whose membership in SPP has been terminated under Section 4 of this Agreement.

Transmission Owner

A signatory to this Agreement which: (1) transfers functional control of Tariff Facilities related to the rates, terms and conditions of the OATT to SPP by executing this Agreement; or (2) appoints SPP under another agreement to provide service under the Transmission Tariff over Tariff Facilities which it owns or controls; or (3) is assigned by SPP to construct and accepts the obligation to construct new Tariff Facilities; or (4) undertakes another Transmission Owner's obligation to construct Tariff Facilities in accordance with Section 3.3 of this Agreement and Attachment O of the SPP OATT.

Upper Missouri Zone ("UMZ")

The Upper Missouri Zone (“UMZ” or “Zone 19”) is the rate pricing zone initially consisting of the following facilities that meet the requirements of Attachment AI, upon the transfer of those facilities to the functional control of the Transmission Provider: (i) the facilities of Western-UGP within the Eastern and Western Interconnections; (ii) the facilities owned or leased by Basin Electric Power Cooperative or Heartland Consumers Power District within the Eastern Interconnection; (iii) a portion of the facilities owned or leased by Basin Electric Power Cooperative within the Western Interconnection; and (iv) other facilities of the Western Area Power Administration transferred to the functional control of the Transmission Provider.

Western Area Power Administration-Upper Great Plains Region (“Western-UGP”)

A division of the Western Area Power Administration that markets and transmits Federal power from reservoir projects under the control of the Department of the Army or the U.S. Bureau of Reclamation to Statutory Load Obligations, including preference power customers in Iowa, Minnesota, Montana, Nebraska, North Dakota, and South Dakota located in a defined marketing area. Western-UGP operates the WAUW Balancing Authority Area in the Western Interconnection, where certain of its transmission facilities are located.

Western Interconnection

One of the three major alternating-current electrical grids in North America. The Western Interconnection stretches from Western Canada South to Baja California in Mexico, reaching eastward over the Rockies to the Great Plains.



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

SPP Exit Fee Complaint, Docket No. EL19-11

June 17, 2019



SouthwestPowerPool



SPPorg



southwest-power-pool

Four Staff Recommendations

1. Section 206 Compliance Revisions
2. Section 205 Alternate Revisions
3. Annual Membership Fee Increase from \$6,000 to \$20,000
4. Addition of “Load Serving Entity” Definition to Membership Agreement

Staff Recommendations

1. Section 206 Compliance Revisions

- April 18, 2019 FERC Order at P 63:

“... **we direct SPP to submit a compliance filing within 60 days of the date of this order**

that revises the exit fee provisions in SPP’s bylaws and membership agreement in its Governing Documents Tariff to eliminate the exit fee for non-transmission owners. Additionally, we direct SPP to revise its exit fee formula to ensure that the continued application of the exit fee to transmission owners ensures SPP’s debt is fully secured.”

- On May 1, FERC extended the original June 17, 2019 compliance filing deadline to **August 1, 2019**

Staff Recommendations (cont.)

2. Section 205 Alternate Revisions

- April 18, 2019 FERC Order at P 62:

“Finally, we recognize that, in a previous order, the Commission found that an exit fee can help ensure that prospective members take membership seriously, helping to provide stability and avoid volatility in membership. As indicated in that order, an exit fee can provide a benefit by ensuring prospective members make a financial commitment to the RTO/ISO. However, while there may be some benefit to an exit fee being high enough to ensure the seriousness of prospective members and to provide stability in membership, the exit fee must not be so high as to create a barrier to membership. As discussed above, we find that SPP’s exit fee is at a level that is high enough to create a barrier to membership. We also find that the exit fee is at a level that is higher than necessary to ensure stability in SPP’s membership or members’ financial commitment to the RTO. Further, we do not find that the potential benefits provided by an exit fee for non-transmission owners are necessary to ensure just and reasonable rates in an RTO/ISO. While some level of exit fee that does not act as a barrier to membership and is not excessive could be appropriate in SPP, because we are finding here that no exit fee for non-transmission owners will result in just and reasonable rates, we do not need to consider at this time whether a smaller exit fee for non-transmission owners would also be just and reasonable.”

Staff Recommendations (cont.)

3. Annual Membership Fee Increase from \$6,000 to \$20,000

- Bylaws § 8.2:
“All SPP Members will be subject to an annual membership fee in the amount of \$6,000, *or other amount established by the Board of Directors.*”
- Staff has calculated the cost of service for membership to be ~ \$35,000/year per Member

Staff Recommendations (cont.)

4. Addition of “Load Serving Entity” Definition to Membership Agreement

- Regardless of Section 206 compliance revisions or Section 205 alternate revisions, staff’s recommendation is to add “Load Serving Entity” as a defined term in the Membership Agreement
- Although the term is presently defined in Attachments C and AE to the SPP Tariff, addition to the Membership Agreement as a defined term is recommended to promote clarity