



Southwest Power Pool, Inc.

BOARD OF DIRECTORS/MEMBERS COMMITTEE SPECIAL MEETING

Conference Call

September 20, 2019

- Summary of Action Items -

1. Approved Western Energy Imbalance Service Budget Recommendation

Southwest Power Pool, Inc.
BOARD OF DIRECTORS/MEMBERS COMMITTEE SPECIAL MEETING
Conference Call
September 20, 2019

MINUTES

Agenda Item 1 – Administrative Items

SPP Board of Directors Chair Mr. Larry Altenbaumer called the regular meeting to order at 9:00 a.m. The following Board of Directors/Members Committee members were in attendance or represented by proxy:

Mr. Larry Altenbaumer, director
Ms. Phyllis Bernard, director
Mr. Julian Brix, director
Mr. Nick Brown, director
Ms. Holly Carias, NextEra Energy Resources
Mr. Tom Christensen, Basin Electric Power Cooperative
Mr. Mark Crisson, director
Mr. Jim Eckelberger, director
Mr. Graham Edwards, director
Mr. David Hudson, Xcel Energy
Mr. Rob Janssen, Dogwood Energy LLC
Mr. Thomas Kent, Nebraska Public Power District
Mr. Chris Jones for Jeff Knottek, City Utilities of Springfield, MO
Mr. Bleau LaFave, NorthWestern Energy
Mr. Tom Hestermann for Stuart Lowry, Sunflower Electric Power Corporation
Mr. Josh Martin, director
Mr. Greg McAuley, Oklahoma Gas and Electric Company
Mr. Denise Buffington for Kevin Noblet, KCP&L and Westar, Evergy Companies
Ms. Darcy Ortiz, director
Mr. Dave Osburn, Oklahoma Municipal Power Authority
Mr. Bruce Scherr, director
Mr. Harry Skilton, director
Mr. Kevin Smith, Tenaska Power Services Company
Mr. Jody Sundsted, Western Area Power Administration – Upper Great Plains Region
Mr. Mike Wise, Golden Spread Electric Cooperative, Inc.

Mr. Larry Altenbaumer asked for a round of introductions. There were 68 people in attendance (Attendance List – Attachment 1). Mr. Brown reported the proxies (Proxies – Attachment 2).

Agenda Item 2 – Reports to the Board

Mr. Bruce Rew reviewed the Western Energy Imbalance Service (WEIS) budget recommendation information (Western Energy Imbalance Service – Attachment 3). He discussed the breakdown in costs and the number of additional staff that will be needed to implement this contract service. The staff used to support this service will be based in SPP's existing facilities. It is expected that the WEIS will require a FERC filed tariff and corresponding set of market protocols. These documents are separate and distinct from the SPP Tariff.

SPP will finance the WEIS implementation costs with proceeds from the issuance of debt and will recover those costs from the WEIS market participants through the assessment of an annual charge over an eight year period.

The WEIS administration rate charged to WEIS market participants will be calculated on an annual basis using a formula type rate.

SPP Board of Directors/Members Committee Special Meeting Minutes
September 20, 2019

Mr. Bruce Scherr made a motion to approve the \$9.5 million budget to fund development and implementation of the WEIS market, scheduled to begin February 2021. Mr. Graham Edwards seconded the motion. The Members Committee voted in favor with one abstention (SPS/Xcel Energy). The Board voted; the motion passed.

Adjournment

With no further business, Mr. Altenbaumer adjourned the meeting at 9:30 a.m.

Respectfully Submitted,

Paul Suskie, Corporate Secretary

Board of Directors/Members Committee Special Meeting
9/20/19 (9:00 - 10:00 AM Central Time)
Attendance

First Name	Last Name	Company
Larry	Altenbaumer	SPP Director
Phyllis	Bernard	SPP Director
Julian	Brix	SPP Director
Nick	Brown	SPP Director
Mark	Crisson	SPP Director
Jim	Eckelberger	SPP Director
Graham	Edwards	SPP Director
Josh	Martin	SPP Director
Darcy	Ortiz	SPP Director
Bruce	Scherr	SPP Director
Harry	Skilton	SPP Director
Barbara	Sugg	Southwest Power Pool
Bleau	LaFave	NorthWestern Energy
Bradley	Hans	Municipal Energy Agency of Nebraska
Brenda	Fricano	Southwest Power Pool, Inc.
Brian	Rounds	AESL Consulting
Bruce	Rew	Southwest Power Pool
Byron	Corum	FERC
Caitlin	Liotiris	Energy Strategies
Carl	Monroe	Southwest Power Pool
Carrie	Dixon	Xcel Energy
Chris	Jones	City Utilities of Springfield
David	Hudson	SPS/XcelEnergy
Davd	Osburn	Oklahoma Gas and Electric Company
Denise	Buffington	KCP&L and Westar, Evergy Companies
Denise	Martin	Southwest Power Pool
Dennis	Florum	Lincoln Electric System
Derek	Wingfield	Southwest Power Pool
Diana	Zake	Public Utility Commission of Texas
Don	Frerking	Southwest Power Pool
Gayle	Freier	Southwest Power Pool
Greg	McAuley	Oklahoma Gas & Electric-Transmission
Heather	Starnes	Healy Law Offices/MJMEUC
Holly	Carias	NextEra Energy Resources, LLC
Jason	Chaplin	Oklahoma Corporation Commission
Jason	Mazigian	Basin Electric Power Cooperative
Jennifer	Gardner	Western Resource Advocates
Jody	Sundsted	Western Area Power Administration
John	Olsen	KCP&L and Westar, Evergy Companies
Kevin	Smith	Tenaska Power Services Co
Lanny	Nickell	Southwest Power Pool
Lloyd	Linke	Western Area Power Administration
Marisa	Choate	Southwest Power Pool
Mary Ann	Zehr	Tri-State Generation and Transmission Association, Inc.
Matt	Caves	Western Farmers Electric Cooperative
Michael	Desselle	Southwest Power Pool

Michael	Wise	Golden Spread Electric Cooperative, Inc.
Mike	Ross	Southwest Power Pool
Nicole	Wagner	Southwest Power Pool
Pat	Hayes	LS Power
Patti	Kelly	Southwest Power Pool
Paul	Suskie	Southwest Power Pool
Richard	Dillon	Southwest Power Pool
Robert	Janssen	Dogwood Energy, LLC
Robert	Pick	NPPD
Ronald	Thompson, Jr.	Nebraska Public Power District
Ross	Nichols	Adapt2 Solutions
Sam	Loudenslager	Southwest Power Pool
Shaun	Scott	Southwest Power Pool
Steve	Gaw	Wind Coalition
Thomas	Kent	Nebraska Public Power District
Tim	Hall	Southern Power
Tom	Kleckner	RTO Insider
Tom	Dunn	Southwest Power Pool
Tom	Hestermann	Sunflower Electric Power Corporation
Tom	Christensen	Basin Electric Power Cooperative
Traci	Bender	Nebraska Public Power District

From: [Shaun Scott](#)
To: [Shaun Scott](#)
Subject: PROXY - Denise Buffington for Kevin Noblet - 9/20/19
Date: Friday, September 13, 2019 3:59:18 PM

From: Kevin Noblet <kevin.noblet@evergy.com>
Sent: Friday, September 13, 2019 3:26 PM
To: Shaun Scott <smscott@spp.org>; Nick Brown <NBrown@spp.org>; Paul Suskie <psuskie@spp.org>
Cc: Buffington, Denise <denise.buffington@evergy.com>
Subject: **External Email** RE: SPP Board of Directors/Members Committee Special Meeting (Conference Call) - 9/20/19

Internal Use Only

I will be out of the office on September 19th and unable to participate on this call. By this email, I would like to designate Denise Buffington as my proxy.

Thanks,
Kevin Noblet
Evergy

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From: [Shaun Scott](#)
To: [Shaun Scott](#)
Subject: PROXY - Tom Hestermann for Stuart Lowry 9/20/19
Date: Friday, September 20, 2019 9:59:40 AM

From: Lowry, Stuart <slowry@sunflower.net>
Sent: Tuesday, September 10, 2019 12:15 PM
To: Paul Suskie <psuskie@spp.org>; 'Nick Brown (nbrown@spp.org)' <nbrown@spp.org>
Cc: Hestermann, Tom <thestermann@sunflower.net>
Subject: FW: ** External Email ** SPP Board of Directors/Members Committee Special Meeting (Conference Call) - 9/20/19

Paul/Nick,

I would like to designate Tom Hestermann as my proxy for the meeting/conference call called below. The meeting occurs during Sunflower's regular monthly board meeting so I will be unable to participate in the SPP meeting. Congrats on the EIS announcement in the west. We are very supportive of the expansion westward. Great work by you and the SPP staff on this.

Stuart S. Lowry
President & CEO
Sunflower Electric Power Corporation

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From: [Shaun Scott](#)
To: [Shaun Scott](#)
Subject: PROXY - Chris Jones for Jeff Knottek
Date: Friday, September 20, 2019 10:05:39 AM

From: "Knottek, Jeff" <Jeff.Knottek@cityutilities.net>
Date: September 20, 2019 at 9:25:55 AM EDT
To: Paul Suskie <psuskie@spp.org>
Cc: "Jones, Chris" <chris.jones@cityutilities.net>
Subject: ****External Email** Board of Directors - Members Committee Meeting Sep 20 -2019**

Hi Paul,
Chris Jones will have my proxy for the meeting this morning. Thank you.
Jeff

Jeff Knottek
Director - Transmission Planning & Compliance
O: 417.831.8920



PO Box 551 | Springfield, MO 65801-0551
cityutilities.net

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Southwest Power Pool, Inc.

SPP STAFF

Recommendation to the SPP Board of Directors

September 20, 2019

Western Energy Imbalance Service Budget Recommendation

Organizational Roster

SPP staff

Background

The SPP Board of Directors, in early 2019, authorized SPP staff to pursue the offering of an energy imbalance service market to utilities in the Western Interconnection. SPP staff identified and worked with interested parties to develop a Western Energy Imbalance Service (WEIS) proposal. SPP released its proposal detailing the scope of the WEIS on June 17, 2019, which was distributed to the nineteen interested parties SPP worked with in the Western Interconnection. The proposal is posted on the SPP website (www.spp.org/WEIS).

On September 9, 2019, Basin Electric Power Cooperative, Tri-State Generation and Transmission Association, Western Area Power Administration (WAPA) Colorado River Storage Project (CRSP), WAPA Rocky Mountain Region (RMR), and WAPA Upper Great Plains (UGP), executed contracts to fund the development of SPP's WEIS market. SPP will accept additional commitments through October 25, 2019, from market participants who wish to be included in the initial WEIS go-live which is scheduled for February 2021. Additional market participants who seek to participate in the WEIS after October 25, 2019 will be onboarded according to SPP's normal market onboarding process.

Analysis

The WEIS will centrally dispatch energy from market participants throughout the market region every five minutes, enhancing reliability and affordability. SPP will develop and implement the WEIS under a Western Joint Dispatch Agreement and market participants do not have to be a member of the SPP Regional Transmission Organization to participate. SPP will operate the WEIS market pursuant to a separate tariff containing the market rules and procedures applicable only to WEIS market participants.

SPP will provide an Energy Imbalance market to meet the real-time demand with the most cost-effective generation available. Like SPP's previous and current markets, the WEIS will provide price transparency of wholesale energy, allow market participants to trade bilaterally and hedge against transmission congestion.



SPP staff has developed a high-level cost estimate for both the implementation and annual operation of the WEIS. Similar to the Reliability Coordinator Services Agreement, SPP is proposing to finance the implementation costs during a 16 month implementation period and recover those costs through the application of an annualized production rate over an eight year term. The following table outlines the projected implementation costs and estimated year one on-going production costs.

<i>Millions of Dollars</i>	Implementation Costs	Production Costs
Salaries & Benefits	\$2.2	\$1.5
Project Consulting	\$1.4	\$0.0
Technology Costs	\$4.2	\$0.8
Travel & Administrative Costs	\$0.1	\$0.1
Principal & Interest Payments	\$0.3	\$1.5
Corporate Overhead Costs	\$1.3	\$1.2
Total Costs	\$9.5	\$5.0

SPP staff has projected the need for thirteen incremental full time equivalent staff (“FTE”) to perform the WEIS functions. The primary business drivers for incremental FTEs are: 1) the physical separation of the western operational area requires an incremental 24x7 real-time market shift desk, 2) settlement of market transactions will require additional settlement analysts and settlement system support, and 3) increasing requirements for ongoing market design and independent market monitoring. All staff will be based in SPP’s existing facilities.

SPP will utilize consultants when appropriate to accomplish the market implementation, primarily in the Training, Customer Relations, and IT departments to aid in the development of a robust training program, collection and analysis of onboarding data, and development and testing of market and settlement systems, respectively. SPP may engage outside counsel if needed, to support the development and legal filings of rates, terms and conditions of the WEIS market. It is expected that the WEIS will require a FERC filed tariff and corresponding set of market protocols. These documents are separate from the SPP Tariff.

SPP’s technology roadmap includes enhancements to current Marketplace systems to allow for imbalance trading and settlement in the Western Interconnection. This would include identified changes to various operational components such as the commercial model tool, energy management system, and other sub-systems. SPP is currently in development of a new, more robust settlement system expected to be placed into service in first quarter 2020, enhancements will be made to that system to accommodate the settlement of WEIS transactions. Additional data storage and communications equipment will be required including accompanying software components. Ongoing costs include licenses and maintenance of hardware, software, and communications equipment. Refreshment of these items upon their expected end of useful life

is not included within this estimate. These hardware and communications components have typical useful lives of 3-5 years. Future enhancements and further western customizations have not been included within this estimate.

SPP will finance the WEIS implementation costs with proceeds from the issuance of debt and will recover those costs from the WEIS market participants through the assessment of an annual production rate over an eight year period. WEIS market participants who terminate market services prior to the eight year repayment are obligated to pay their portion of the remaining implementation costs. Additional market participants who enter the market within the first eight years will be allocated a portion of the original implementation costs upon entry.

The project costs described above are exclusively incremental to SPP's current financial structure. Costs for existing corporate functions required to support these market services for the Western Interconnection are included in corporate overhead costs. These functions include human resources, legal, accounting, credit, network/circuits, facilities, and other infrastructure requirements not included in the incremental costs.

The WEIS administration rate charged to market participants will be calculated on an annual basis using a formula type rate. This rate will use the projected annual production costs, startup principal and interest charges and current NEL for the current market participants to determine the rate charged. SPP will invoice market participants annually beginning in December 2020. Staff will actively track costs associated with the project via time tracking, processes and controls to ensure full recovery of appropriate costs. Within the Western Joint Dispatch Agreement, SPP's liability is limited in the same manner as exists within the SPP Tariff. This is energy imbalance service has limited applicable NERC standards associated with the service.

Recommendation

1. SPP staff recommends the SPP Board approve the \$9.5 million budget to fund development and implementation of the WEIS scheduled for February 1, 2021.

Action Requested: Approve Recommendation