



**SOUTHWEST POWER POOL, INC.  
REGIONAL STATE COMMITTEE BUSINESS MEETING**

**April 27, 2020**

**AGENDA**

**1:00 P.M.**

**1. CALL TO ORDER**

**2. PRELIMINARY MATTERS**

- a. Commissioners’ Roll Call and Declaration of a Quorum.
- b. Meeting Attendees Roll Call.
- c. Adoption of Minutes from January 27, 2020.
- d. Review of Ongoing Action Items.

**3. UPDATE**

- a. SPP Report.....**Barbara Sugg**
- b. RSC First Quarter 2020 Financial Report.....**Paul Suskie**

**4. BUSINESS ITEMS**

- a. RR 401: Revision to RR374 as a Result of FERC Order in Docket No. ER20-453 10....**John Krajewski**  
This report will update the RSC on RR 401. **[VOTING ITEM]**
- b. OMS/SPP-RSC Seams Liaison Committee Update.....**Commissioner Shari Feist Albrecht**

**5. CAWG REPORT**

- a. Cost Allocation Working Group (CAWG) Report.....**John Krajewski**  
This report will update the RSC on the activities of the CAWG.
  - i. HITT C2 Initiative.....**Christine Aarnes**  
This report will update the RSC on HITT C2: Establish Byway Facility Cost Allocation Review Process.

**6. OTHER RSC MATTERS**

**7. NEW ACTION ITEMS**

**8. SCHEDULE OF NEXT REGULAR MEETINGS, SPECIAL MEETINGS OR EVENTS**

- ✓ July 27, 2020 – Little Rock, AR
- ✓ October 26, 2020 – Little Rock, AR

**9. ADJOURNMENT OF BUSINESS MEETING**

*Antitrust: SPP strictly prohibits use of participation in SPP activities as a forum for engaging in practices or communications that violate the antitrust laws. Please avoid discussion of topics or behavior that would result in anti-competitive behavior, including but not limited to, agreements between or among competitors regarding prices, bid and offer practices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that might unreasonably restrain competition.*



## RSC/BOD/MC EXECUTIVE SESSION

**THE RSC MAY HOLD AN EXECUTIVE SESSION WITH THE SPP BOARD & MEMBERS COMMITTEE. ATTENDANCE IS LIMITED TO THE BOARD OF DIRECTORS, MEMBERS COMMITTEE, OFFICERS, AND ONE REPRESENTATIVE FROM EACH MEMBER COMPANY.**

1. **\*NOTE: ADDITIONAL INFORMATIONAL MATERIAL ATTACHED.** Attached to the RSC's meeting agenda and background material is additional material that is either for inform

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## **Regional State Committee Meeting**

**January 27, 2020**

**El Dorado Hotel & Spa – Santa Fe, NM**

**3:00 p.m.**

Mr. Larry Altenbaumer (SPP Board Chair) called the Joint Quarterly Stakeholder Briefing to order at 1:00 p.m. The following briefings were provided; Google Industry Viewpoints and Strategies (Jeff Riles and Will Conkling), Federal Energy Regulatory Commission Update (Patrick Clarey), Holistic Integrated Tariff Team (HITT) Implementation Update (Carl Monroe), SPP RSC/OMS Seams Liaison Committee Update (Sheri Feist Albrecht), Integrated Transmission Plan (ITP) Assessment Update (Lanny Nickell), Integrated Marketplace Update (Bruce Rew), Western Operations (Bruce Rew), and SPC Metrics Update (Carl Monroe). The Joint Quarterly Stakeholder Briefing concluded at 2:45 p.m.

### **ADMINISTRATIVE ITEMS**

The following members participated:

Shari Feist Albrecht, Kansas Corporation Commission (KCC)  
Jefferson Byrd, New Mexico Public Regulation Commission (NMPRC)  
Randel Christmann, North Dakota Public Service Commission (NDPSC)  
Kristie Fiegen, South Dakota Public Utilities Commission (SDPUC)  
Mike Francis, Louisiana Public Service Commission (LPSC)  
Dennis Grennan, Nebraska Power Review Board (NPRB)  
Geri Huser, Iowa Utilities Board (IUB)  
Dana Murphy, Oklahoma Corporation Commission (OCC)  
Kim O'Guinn, Arkansas Public Service Commission (APSC)  
Scott Rupp, Missouri Public Service Commission (MoPSC)  
DeAnn T. Walker, Public Utility Commission of Texas (PUCT)

President Grennan called the Regional State Committee (RSC) Business Meeting to order at 3:00 p.m. with the roll call and a quorum was declared. There were 158 people in attendance, either in person or via the phone (Attendance & Proxies – Attachment 1).

President Grennan welcomed Commissioner Mike Francis, from the Louisiana Public Service Commission to the RSC. President Grennan thanked Commissioner Kim O'Guinn for her work and leadership as the 2019 president of the RSC and Ms. Cindy Ireland for chairing the Cost Allocation Working Group (CAWG) last year.

The first item of business was the approval of the 10/28/19 meeting minutes (RSC Minutes 10/28/19 – Attachment 2).

**Commissioner DeAnn Walker moved to approve the minutes; Commissioner Scott Rupp seconded. The motion was approved unanimously.**

Ms. Kandi Hughes (SPP staff) reviewed the RSC action items (RSC Action Items – Attachment 3). Ms. Hughes reviewed the changes and the new action items with the RSC. Changes to the format of the RSC action items was discussed and additional changes were requested by the RSC.

### **UPDATE**

#### **SPP Report**

Mr. Paul Suskie (SPP Staff) provided the SPP Report. He began his report by discussing two themes, busy and change. HITT is in full progress with work being done on 25 of the 27 initiatives. The CAWG is responsible for three of those initiatives. Z2 has been filed at FERC and he thanked the RSC for their work on this initiative. The

changes taking place are with the announcement of Mr. Nick Brown announcing his retirement. The announcement of the new CEO Ms. Barbara Sugg. Paul welcomed the new commissioner from Louisiana, Commissioner Mike Francis, and the retirement of Mr. Carl Monroe. Mr. Suskie announce that Mr. Monroe will be honored during the dinner on Monday evening after the RSC meeting.

#### RSC Quarterly Financial Report

Mr. Suskie provided the RSC financial report for the fourth quarter of 2019 (RSC 2019 Q4 Financials – Attachment 4). The RSC over all continues to be under budget due to not hiring a consultant. The group was over budget in the area of travel for the 2019 year. That overrun was due to the additional HITT meetings.

#### **BUSINESS ITEMS**

##### Auditor Cost for Audit and Taxes for 2019 and Engagement Letter

Mr. Paul Suskie discussed the auditor engagement letter. The scope of services were discussed during the RSC Education Session. There was a slight increase in cost. (SPP RSC 2019 Engagement Letter – Attachment 5).

**Commissioner DeAnn Walker moved to approve the auditor cost for the audit and taxes for 2019 and prepare the annual federal information return for the year ended December 31, 2019; Commissioner Kim O’Guinn seconded. The motion was approved unanimously.**

##### Wind and Solar ELCC White Paper

Mr. John Krajewski provided the Wind and Solar ELCC White Paper presentation (Solar & Wind ELCC White Paper – Attachment 6, RSC Wind and Solar ELCC White Paper Presentation – Attachment 7, ELCC CAWG Recommendations – Attachment 8). The whitepaper proposes a methodology for prioritizing and allocating the available ELCC from solar and wind facilities that qualify as capacity in the SPP Balancing Authority (BA). The current methodology evaluates resources on an individual rather than collective basis and does not take into consideration the effects of incremental resources added to the system. As solar and wind generation increases, the ELCC accreditation percentage decreases. Members will no long accredit wind and solar resources, staff will have the responsibility to study and accredit each solar and wind resource. The ELCC approval timeline was laid out and reviewed.

**Commissioner Randy Christmann moved to approve the ELCC Wind and Solar Accreditation White Paper; Commissioner Shari Feist Albrecht seconded. The motion was approved unanimously.**

##### RR 369: PCWG Update to BP 7060 Sections 2.2, 10 & 13

Mr. John Krajewski reported on Revision Request 396 - PCWG update to BP 7060 Sections 2.2, 10, and 13 (RR 396 – Attachment 9 and RR 396 Presentation – Attachment 10). Revision Request 369 proposes changes to Business Practice 7060: Notification to Construct and Project Cost Estimating Process. The primary purpose of BP 7060 is to establish cost estimating processes and reporting requirements if project costs are projected to go outside of an established bandwidth.

**Commissioner Kristie Fiegen moved to approve Revision Request 369, PCWG Update to Business Practice 7060 Sections 2.2, 10 & 13; Commissioner Kim O’Guinn seconded. The motion was approved unanimously.**

#### **COST ALLOCATION WORKING GROUP REPORT**

Mr. John Krajewski provided the CAWG report (CAWG Report – Attachment 11). There was a review of the meeting dates, a timeline, and the proposed scope of work the CAWG will undertake in 2020. The key action items in January were the Wind and Solar ELCC White Paper, Revision Request 369, and HITT activities. The HITT activities are related to the recommendation C1: Decouple Schedule 9 and Schedule 11 zones and clarifying motions on recommendation C2: Byway facility cost allocation review process. Mr. Krajewski provided a detailed timeline and scope of activity for HITT C1. CAWG has put forth two HITT recommendation for C2. The two motions will be incorporated into a final recommendation to the RSC in the form of a white paper.

The priorities of the CAWG for the first quarter of 2020 is to continue the work on the HITT recommendations and participation in the RSC/OMS Seams Liaison Committee.

Regional State Committee  
January 27, 2020

With no further business, the meeting adjourned at 4:05 p.m.

Respectfully Submitted,

Paul Suskie

No.	Action Item	Date Originated	Status	Comments
16-19	Preparation and circulation of RSC Agendas	4/25/2016	In process	SPP prepare and circulate draft agendas to RSC and CAWG members earlier for comment.
17-29	Annual Review of Safe Harbor Criteria	7/24/2017	In process	CAWG will bring a proposal to the RSC for the limited annual review of the Safe Harbor Criteria CAWG and will synchronize the limited review with SPP's annual filing with FERC. *Voted not to conduct 2020 annual review at July 29, 2019 meeting and the next annual review will be a full review completed in 2022.
18-46	RSC/OMS Task Force Update	10/29/2018	In process	Include "RSC/OMS Task Force Update" as an agenda item for the RSC Business Meetings.
19-51	Background information on "voting items" and "potential voting items"	4/29/2019	In process	The Sponsor of any voting item or potential voting item, as listed on the agenda, will provide background information and voting results from various stakeholder groups, if necessary. SPP Staff to include applicable links within background materials related to Motions.
19-52	RSC Operational Objectives	4/29/2019	In process	Voted and approved to review and update, as needed, throughout the year and annually. 01/27/2020: RSC President to send to SPP Board Chairmen for dissemination to SPP BOD.
19-55	RSC Educational Session Topics	10/28/2019	In process	Topics: Conservative Operations
19-57	Links to Motions within Materials	10/28/2019	In process	SPP Staff include applicable links within background materials related to Motions.
19-61	HITT	10/28/2019	In process	HITT Recommendations Updates.
20-1	Aging Infrastructure Information	1/27/2020	In process	Follow up information provided to RSC on aging infrastructure.

No.	Action Item	Date Originated	Status	Comments
14-1	EPA 111(d) : (1) Lanny Nickell to provide scope document on compliance analysis and an update on when SPP reliability analysis will be completed. (2) Commissioner Reeves to provide update on possibility of studies to be performed by BPC and GPI, what services those entities are providing	8/25/2014	Completed	Addressed at 9/29/14 Meeting
14-2	RARTF: Update on RARTF and New Metrics	8/25/2014	Completed	Addressed at 9/29/14 Meeting
14-3	Seams Project Task Force: CAWG will consider the issue at next meeting and bring back to RSC for discussion		Completed	Addressed at 9/29/14 Meeting; On 10/27/14 Meeting as a voting item
14-4	SPC Task Force on New Members: RSC should email Commissioner Murphy with any concerns or topics. Update to be provided at next RSC meeting	8/25/2014	Completed	Addressed at 9/29/14 Meeting

14-5	Consideration of RSC Bylaws changes related to membership eligibility	12/1/2014	Completed	<p>Discussed at December 1, 2014 meeting, January 2015 Educational Session and March 9, 2015 Meeting. The bylaws draft modifications were discussed at the RSC retreat and meeting on July 27, 2015. Bylaws changes were considered at the September 21, 2015 meetings but were not approved. January 25, 2016 – RSC Goal for 2016 to consider adopting the clean-up of the Bylaws discussed in 2015. Prior to the January 30, 2017 RSC meeting, the current draft of the bylaws was distributed to the RSC. Phone call late August/early September on a Friday (Kandi to work with SS to get it scheduled) to finalize bylaws changes nominating committee; technical clean-up language, Executive Committee inclusion. July 2017 RSC meeting. Plan to vote in October. Send call information/agenda.</p>
14-6	EPA's Clean Power Plan –RSC Comments	9/29/2014	Completed	<p>Discussed at October 27, 2014 RSC Meeting. Comments filed on November 24, 2014.</p>



14-7	SPC Task Force on New Members – Discuss 3 RSC Action Items	9/29/2014	Completed	<p>Discussed at October 27, 2014 Meeting and December 1, 2014 Meeting. On January 2015 Educational Session for discussion and January 2015 Meeting Agenda as a voting item. Feedback was provided to SPC TF on NM on items 1 and 2 on January 26, 2015 and subsequent to the March 9, 2015 RSC teleconference. The RSC will continue to discuss item 3 on cost allocation and has delegated this item to the CAWG (Action Item 12). On July 27, 2015, the RSC approved a scoping document developed by CAWG. The SPC TF on New Members finalized its report, which was approved by the SPC in July 2015. The RSC approved the New Member Process document with the addition of catch-all language permitting the RSC to invoke the new member process for matters within the RSC's responsibility.</p>
14-8	Cost Allocation for Non-Order 1000 Seams Projects	10/27/2014	Completed	<p>RSC vote taken in December 2015 approving 60% threshold. Approved on January 25, 2015.</p>
14-9	Goals and Objectives for 2015 RSC Year	12/1/2014	Completed	<p>Discussed at December 1, 2014 meeting and draft goals were reviewed on January 26, 2015, March 9, 2015, April 27, 2015 and September 21, 2015.</p>
15-11	Educational Session on SPP "Building Blocks"	1/25/2015	Completed	<p>Educational Session on the SPP "Building Blocks" – possible topic for July retreat. Unclear what this was intended to cover. Removed when list of retreat topics was updated.</p>

15-12	RSC Role in Cost Allocation for New Member Integrations	4/27/2015	Completed	<p>In January 2015, the RSC tasked the CAWG with looking at what role the RSC should have in regards to Cost Allocation methodology for new members joining SPP. The RSC tasked the CAWG to develop a scoping document on how to apply cost allocation for new members joining SPP. The Scope Document developed by CAWG was approved by the RSC on July 27, 2015. At its October 2016 meeting, the RSC approved the process document developed by the CAWG.</p>
15-13	Aggregate Study Waiver Criteria	4/27/2015	Completed	<p>The RSC determined it should review the eligibility requirements set out in Section III.B.1 (specifically the 20% threshold), and whether the requirements are applicable today in light of the changes to the transmission system since the requirements were approved. The RSC tasked the CAWG to evaluate the eligibility requirements for a waiver request to see if the requirements are still applicable to the transmission system as it operates now. CAWG presented a draft scoping document to the RSC on July 27, 2015. A recommendation by the CAWG to retain the study waiver criteria was approved by the RSC on January 30, 2017.</p>
15-14	Capacity Margin Task Force Update	4/27/2015	Completed	<p>After a presentation at the April 2015 RSC meeting, and discussion of the Capacity Margin Task Force, the RSC tasked the CAWG to evaluate how load is forecasted for the purpose of determining the reserve margin. CAWG reported back to the RSC at their July 2015 meeting. Voted and approved at April 2016 meeting.</p>

16-15	RSC Goals for 2016	1/25/2016	Completed	RSC discussed goals for 2016 at the January 2016 Educational Session. Any additional goals should be submitted to Erin Cullum for distribution in advance of the April 2016 RSC meeting.
16-16	Engagement Term of RSC Auditor	1/25/2016	Completed	Determine the initial arrangement with the RSC auditor and the number of years for reengagement. Erin Cullum will review the agreement and inform the RSC
16-17	Educational Session Topic Request – Role of RSC in SPP FERC Filings	1/25/2016	Completed	Request for SPP Staff to provide educational update on the FERC filings process and the role of the RSC.
16-18	Talking Points on CPP	1/25/2016	Completed	Request for SPP's talking points on the CPP. Erin Cullum will distribute the link to posted comments.
16-20	Z2 Crediting Overview	4/25/2016	Completed	SPP to provide higher level overview of Z2 key points, significance, and state specific information (if possible). This will be provided in advance of the next RSC Meeting.
17-21	Form Commissioner Forum for Mountain West proposal.	1/30/2017	Completed	Phone call scheduled for February 10, 2017 to discuss further.
17-22	Establish a Nominating Committee per the RSC Bylaws	1/30/2017	Completed	Established for providing a slate of officers for RSC.
17-23	Aggregate Study Waiver Criteria Review	1/30/2017	Completed	Annual CAWG review for limited time period (i.e. not in perpetuity). CAWG to present recommendation(s) to the RSC in July 2017 on how the RSC should proceed in reviewing the Aggregate Study Criteria.
17-24	RSC Retreat Information	4/17/2017	Completed	Paul Suskie to send RSC Retreat information to Commissioners.

17-25	Send new member integration process documents to RSC members.	7/24/2017	Completed	Emailed on July 24, 2017
17-26	Paul Suskie to send SPP bylaws to Commissioner Huser.	7/24/2017	Completed	Provided July 24, 2017
17-27	Consolidate all previously approved RSC policies into one document.	7/24/2017	Completed	SPP Staff working to consolidate said policies and will include as a part of the orientation package referenced in Action Item No. 35.
17-28	RSC Bylaw Revisions	7/24/2017	Completed	
17-30	October Education Session topic(s)	7/24/2017	Completed	Kandi Hughes will send request to RSC soliciting potential educational session topics for October.
17-31	FERC Contact Information	10/30/2017	Completed	Sam Loudenslager to send Patrick Clarey's contact information to RSC members.
17-32	January 2018 Education Session Topic(s)	10/30/2017	Completed	Kandi Hughes will send request to RSC soliciting potential educational session topics for January 2018. One topic suggested is the Mountain West Transmission Group.
17-33	RSC Website Page Revisions	10/30/2017	Completed	Contact Communications to update officers' titles on website. Add secretary/treasurer to the website, as well. ( <i>Update: the SPP website is moving in-house and will be updated as soon as practically possible.</i> )
17-34	State Commissioner Forum for Mountain West proposal.	10/30/2017	Completed	RSC Member to review online documents pertaining to Mountain West. Commissioner Fiegen will send a Doodle Poll to schedule a State Commissioner Forum to be held during the last week of November.
17-35	RSC Orientation Package	10/30/2017	Completed	SPP Staff to put together an orientation package for current and future RSC Commissioners.
18-36	April 2018 Retreat Topics	1/29/2018	Completed	Email potential retreat topics to Madam President and SPP Staff.

18-37	Resolution for former RSC Commissioner Steve Stoll	1/29/2018	Completed	SPP Staff to secure Commissioner Fiegen's signature for Resolution for former RSC Commissioner Steve Stoll.
18-38	Proposed scope of work of cost allocation issues.	1/29/2018	Completed	CAWG will work with SPP Staff and Stakeholders on a proposed scope of work and identifying interrelated issues as it relates to issues of cost allocation and report at the April 2018 meeting.
18-39	OMS Reference Information	4/23/2018	Completed	Former CAWG Chair Adam McKinnie to distribute OMS reference information (bylaws and past strategic initiatives) for informational purposes to RSC members.
18-40	Strategic Planning Topics	4/23/2018	Completed	RSC members to send strategic planning topics to Chairman Murphy by July 1st for discussion at the July RSC Educational Session.
18-41	RSC History Document Revisions/Review	4/23/2018	Completed	SPP Staff will send updated revisions to RSC/CAWG members who will then send any further edits to Sam Loudenslager by early July for discussion at the July RSC Educational Session.
18-42	July 2018 Educational Session Topics	4/23/2018	Completed	Remit educational topics for the July RSC Educational Session to President Shari Feist Albrecht.
18-43	RSC/OMS Joint Task Force	7/30/2018	Completed	President Albrecht will poll the RSC members to determine interest in serving on a potential RSC/OMS Joint Task Force. Responses requested by August 10, 2018.
18-44	Strategic Planning Session	7/30/2018	Completed	RSC members to provide comments on Strategic Plan framework to Chairman Murphy by September 1, 2018.
18-45	October 2018 Educational Session Topics	7/30/2018	Completed	Remit educational topics for the October RSC Educational Session to President Shari Feist Albrecht.
18-48	Meeting Schedule	10/29/2018	Completed	RSC Members to communicate suggestions to the BOD for meeting schedules.

18-49	Schedule Monthly RSC Calls	1/28/2019	Completed	Schedule monthly RSC calls to use as needed. Commissioners will send meeting conflicts to President O'Guinn and she will send a survey to the Commissioners to ultimately schedule the calls.
19-50	In-Person RSC Meetings (May and June 2019)	4/29/2019	Completed	SPP Staff to check the availability of the DFW Hyatt to host in-person RSC meetings on May 30, 2019 and June 24, 2019.
19-53	FERC Docket No. PL19-3-000 – OMS Comments	7/29/2019	Completed	Sam Loudenslager to circulate OMS-filed comments to the RSC.
19-54	Establish a Nominating Committee for 2019.	7/29/2019	Completed	Same Nominating Committee from 2019 retained (TX, OK, SD) who will provide a slate of officers for 2020 RSC.
19-56	2020 Work Plan	10/28/2019	Completed	RSC should develop a 2020 Work Plan. It was decided that the 2020 Operational Objectives met this action item.
19-58	345kv Map (ITP Assessment)	10/28/2019	Completed	SPP Staff to provide 345kv-only map to RSC.
19-59	Travel Policy	10/28/2019	Completed	Clarify travel policy related to SPP RSC/OMS Seams Liaison Committee.
19-60	Meeting Logistics	10/28/2019	Completed	Chairman Altenbaumer to discuss potential meeting logistics options at a monthly RSC conference call.

**Regional State Committee**  
**For the Three Months Ending March 31, 2020**  
**Budget vs. Actual**

	<u>YTD Actuals</u>	<u>YTD Budget</u>	<u>Variance</u>
<b>Income</b>			
Other Income	72,631	131,249	(58,618)
<b>Total Income</b>	<b>72,631</b>	<b>131,249</b>	<b>(58,618)</b>
<b>Expense</b>			
Travel	57,214	71,500	(14,286)
Meetings	15,418	21,999	(6,581)
Audit	-	-	-
Administrative Costs	-	250	(250)
RSC Consultant	-	37,500	(37,500)
Technical Conference	-	-	-
<b>Total Expense</b>	<b>72,631</b>	<b>131,249</b>	<b>(58,618)</b>
<b>Net Income</b>	<b>-</b>	<b>-</b>	<b>-</b>



# RR 401

# ELIMINATION OF Z2 REVENUE CREDITS

JOHN KRAJEWSKI, CAWG CHAIR





# HITT RECOMMENDATION

- Eliminate Z2 revenue credits prospectively
- Retain incremental long-term congestion rights (ILTCRs) for new upgrades
- ILTCRs function as currently described in Tariff, except that the total compensation would be limited to each upgrade's directly assigned upgrade costs plus interest

# RR 374

- Tariff language necessary to implement HITT Z2 recommendation

## RR 374 TIMELINE

- October 2019- Approved by CAWG, MOPC and RSC.
- November 22, 2019- SPP filed the Tariff changes in RR 374 at FERC in Docket No. ER20-453.
  - Joint protest was filed by the Renewable Developers.
- January 31, 2020- FERC issued an order rejecting SPP's filing without prejudice.

# JANUARY 31 FERC ORDER

- Proposal to modify the existing term of compensation for ILTCRs was not just and reasonable.
- FERC rejected SPP's filing, "without prejudice to SPP submitting a revised proposal that does not impose a cap that limits the term and potential value of ILTCRs."
- This was the only issue of concern raised by FERC in the order rejecting SPP's filing.

# RR 401

- SPP proposes changes to the Tariff language approved in RR 374 addressing issue identified by FERC in its rejection
  - Eliminates cap on the amount recoverable via ILTCR
- All the other revisions contained in RR 374 remain unchanged.

# RR 401 TIMELINE

- 2/27 – RTWG education
- 3/3 – CAWG education
- 3/19 – RTWG approved
- 4/9 – CAWG approved
- 4/14-15- MOPC approved
  - RR 401 was approved (1 No vote & 7 Abstentions)
- 4/15 – SPC approved
  - RR 401 was approved (1 Abstentions)
- 4/27 – RSC review and vote
- 4/28- BOD review and vote\*

# CAWG RECOMMENDATION

- CAWG recommends that the RSC approve RR401 as implementing the Board of Directors (BOD) approved Holistic Integrated Tariff Team (HITT) recommendation (as modified in accordance with the guidance provided by the FERC Order in ER20-453).

# PROPOSED MOTION FOR RSC

- RSC approves RR 401, implementing the Board of Directors (BOD) approved Holistic Integrated Tariff Team (HITT) recommendation regarding Attachment Z2 as previously approved in RR 374 and as modified in accordance with the guidance provided by the FERC Order in ER20-453.



# Questions?

# APPENDIX

# PROPOSED TARIFF CHANGES

- Definitions- Market Participant
  - Replaced a reference to “electing to receive” ILTCRs to “receiving”
- Definitions- Upgrade Sponsor
  - Replaced term Creditable Upgrade with Network Upgrade

# PROPOSED TARIFF CHANGES

- **Attachment J, Section V**
  - Updated Sponsored Upgrade, Service Upgrade, and GI Upgrades sections
    - To remove the option between revenue credits and ILTCRs
  - In the Service Upgrade section, updated language to clarify that any directly assigned upgrade costs assigned to a Transmission Customer for an existing Creditable Upgrade would continue to remain eligible for revenue credits.
- **Attachment J, Schedule 1- Sponsored Upgrade Agreement**
  - Replaced references to “credits” with “compensation”
  - Removed optionality of revenue credits or ILTCRs
  - Clarified references to the term of the candidate ILTCR

# PROPOSED TARIFF CHANGES

- Attachment Z1, Section V
  - Replaced references to receiving “credits” in accordance with Attachment Z2 to “be eligible for compensation” in accordance with Attachment Z2
  - Replaced references to Creditable Upgrade with Z2 Eligible Upgrade

# PROPOSED TARIFF CHANGES

- Attachment Z2, opening and Section IV
  - Added provision to limit the applicability of the revenue crediting language
    - Only applicable to those Network Upgrades with an agreement authorizing construction of the upgrade that is executed on or before a date to be determined.
    - All Network Upgrades after that date will be compensated solely through candidate ILTCRs
  - Removed language allowing for the election of either revenue credits or ILTCRs

# PROPOSED TARIFF CHANGES

- Added placeholder in agreements for ILTCR source, sink, MW amount and term data:
  - Attachment A- PTP Agreement
  - Attachment A-1- Capacity Reassignment Agreement
  - Attachment F- Network Service Agreement
  - Attachment V, Appendices 6 and 13- GIA
  - Attachment V, Appendices 8 and 14- Interim GIA



# RSC-OMS SEAMS LIAISON COMMITTEE UPDATE

APRIL 27, 2020

SHARI ALBRECHT, KANSAS CORPORATION COMMISSION

ADAM MCKINNIE, MISSOURI PUBLIC SERVICE COMMISSION





# GOALS OF PRESENTATION

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- Provide an overview of SPP Regional State Committee SPP (RSC) – Organization of MISO States (OMS) Seams Liaison Committee (SLC) activities
- Provide updates on Seams Liaison Committee activities over the last quarter



# SLC MEMBERS

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- **SPP RSC Members**

- Shari Feist Albrecht, Kansas (lead)
- Kristie Fiegen, South Dakota
- Kim O'Guinn, Arkansas
- DeAnn Walker, Texas

- **OMS Members**

- Ted Thomas, Arkansas (lead)
- Eric Skrmetta, Louisiana
- Julie Fedorchak, North Dakota
- Matt Schuerger, Minnesota
- Nick Wagner, Iowa (*ex officio*)



# SLC GOALS

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Identify potential improvements in the following areas and work with SPP and MISO on implementation:

- Increase benefits to ratepayers in both markets by improving market-based transactions and operations across the seam.
- Ensure equal consideration of beneficial regional and inter-regional projects in transmission planning, including evaluation of projects identified in the Coordinated System Plans.
- Support the timely interconnection of new resources that includes consideration of the dynamics of the interconnection queue in both RTOs.
- Improve inter-RTO relations through state-led cooperation.



# SLC MEETINGS

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Three meetings since January

- In-person meeting at NARUC, February 9, 2020 (Washington D.C.)
- Monthly Call, March 9, 2020
- Monthly Call, April 13, 2020



# FEBRUARY 2020

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- Reviewed stakeholder feedback on market monitors' Tier 1 reports and recommended further follow-up with MISO IMM on joint dispatch benefits and with MISO and SPP on stakeholder comments regarding the unreserved use study
- Reviewed Tier 2 Market Monitor Scoping Documents
  - Coordinated Transaction Scheduling (SPP MMU)
  - Interface Pricing (MISO IMM)
- Presentation by MISO & SPP on Reliability Issues and Coordination for Interregional Planning describing how reliability projects are considered in both the regional and interregional processes
- Reviewed past Coordinated System Plan projects with 2019 M2M flowgates and agreed to work toward issue submission at MISO and SPP joint meeting on March 10th.

Meeting materials are available on the RSC and OMS websites.



# MARCH 2020

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Reviewed responses from market monitors on low Joint Dispatch benefit totals and scoping changes to the proposed Coordinated Transaction Scheduling study

- Agreed to submit to MISO-SPP Joint Issue Meeting requests related to:
  - Interregional Reliability Coordination Projects, for more transparency into coordination processes of individual TOs and for information about the RTOs' roles in supporting coordination across the seam
  - Reciprocal Coordinated Flowgates, for updated analysis of historical congestion

Meeting materials are available on the RSC and OMS websites.



# APRIL 2020

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- Presentations by Market Monitors
  - Coordinated Transaction Scheduling (SPP MM)
  - Market-to-Market (MISO IMM)
- Stakeholder Presentations on TO Reliability Coordination (Xcel) and phone comments from Ameren and Entergy
- Update: Seam Congestion Analysis – SPP and MISO
  - Historical M2M Settlements
  - M2M flowgate review for congestion analysis
  - Congestion cost analysis
- Overview of Incentives NOPR and discussed filing comments at FERC; no action was taken

Meeting materials are available on the RSC and OMS websites.



# NEXT STEPS

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- Phone Call on May 11, 2020 at 1:00 p.m. to:
  - Follow-up on Action Items
  - Review Market Monitor Tier 2 reports
  - Evaluate need for additional information from MISO and SPP regarding Seams Congestion analysis
  - Continue NOPR discussion







# CAWG UPDATE

APRIL 27, 2020

JOHN KRAJEWSKI  
CAWG CHAIRMAN



# GOAL OF PRESENTATION

- Provide brief overview of CAWG activities since last RSC meeting
- Discuss current status of HITT  
Recommendation C2: Byway Cost Allocation Review Process



# MEETINGS

- February 13, 2020 – Dallas
- March 3, 2020 – Dallas
- April 9, 2020 – Net Conference



# PRIMARY DISCUSSION ITEMS

- RR 401: Attachment Z2 modifications (action item in business meeting)
- HITT Recommendations C1, C2 and C4
  - Presentation on C2 to follow this update
- RR 373: Generator Retirement
  - No action taken



# OTHER CAWG ACTIVITY

- HITT Recommendation C1: Decouple Schedule 9 and Schedule 11 zones
  - Review data prepared by SPP in February
  - Joint meeting with NEDTF in March to discuss data analysis
  - Plan is to increase activity on this item when we resume face-to-face meeting
- HITT Recommendation C4: Storage
  - Monitoring MISO and
  - Participating working group task force



# RR 373: GENERATOR RETIREMENT

- RR 373 implements a review process for generator retirements requested by SPP market participants
- Potential exists for an upgrade to be needed as a result of generator retirement
  - Current process would identify through ITP process, which would result in highway/byway cost allocation
  - CAWG / RSC need to determine if this is appropriate cost allocation methodology



# UPCOMING ISSUES FOR CAWG

- Finalize Issue C2 White Paper with recommendation to RSC at July meeting
- Continue work on Issues C1 and C4
- Monitor activity of Seams Liaison Committee





# JOHN KRAJEWSKI

CHAIRMAN, COST ALLOCATION WORKING GROUP

[JK@JKENERGYCONSULTING.COM](mailto:JK@JKENERGYCONSULTING.COM)





# Update on HITT C2: Evaluate Byway Facility Cost Allocation Review Process

Christine Aarnes

Kansas Corporation Commission

# HITT Recommendation C2

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- **HITT Recommendation C2:** *SPP should evaluate creating a narrow process through which costs for specific projects between 100 kV and 300 kV can be fully allocated prospectively on a region-wide basis. The process should take into consideration the regional benefits resulting from the facilities, including energy exports from the transmission pricing zone where each project is located.*
- **Lead Group:** CAWG/RSC
- **Secondary Group:** ESWG, RTWG
- **Goal:** Complete by July 2020
- **Status:** On track

# HITT Report Additional Information

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- Narrow review process to regionally fund byway projects
- Could include new or existing Schedule 11 facilities, but would not include costs that are directly assigned
- Process could be administered through a request for waiver of the cost allocation that otherwise would be applicable
- Process for review and approval could conceptually follow the current processes for addressing waiver requests related to upgrades for transmission service and for transformers, as described in Section III of Attachment J

# Stakeholder Presentations

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- CAWG solicited presentations from stakeholders September 2019-January 2020
- Presentations to the CAWG:
  - Sunflower Electric Power Cooperation – September 2019
  - Arkansas Electric Cooperative Corporation – November 2019
  - Oklahoma Gas & Electric – December 2019

# Initial Request for Stakeholder Comments

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- CAWG solicited initial comments on C2 via the MOPC and CAWG Exploders on September 17, 2019.
- CAWG received comments from six entities:
  - Arkansas Electric Cooperative Corporation (AECC);
  - American Electric Power (AEP);
  - Lincoln Electric System (LES);
  - Nebraska Public Power District (NPPD);
  - Southwestern Public Service (SPS);
  - and ACES/Sunflower (Sunflower).
- The filed comments and CAWG's summary of the filed comments may be found on SPP's website under CAWG/Reference Documents/HITT.

# CAWG Motions

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Motions approved during the November 2019 CAWG meeting:

- **Motion 1:** The CAWG recommends establishment of a narrow byway facility cost allocation review process through which future revenue requirements for specific qualifying facilities, with voltage levels between 100kV and 300 kV, can be allocated on a region-wide basis. (10-0, with 1 abstention (LPSC))
- **Motion 2:** The CAWG recommends that projects eligible for the narrow byway facility cost allocation review process should include new and existing Schedule 11 facilities. The portion of costs for facilities that were or will be directly assigned shall not be eligible for this review process. (10-0, with 1 abstention (LPSC))

# CAWG C2 Whitepaper

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- Discussed initial draft of whitepaper during February CAWG meeting.
- Revised version of draft whitepaper based on CAWG member feedback discussed during March CAWG meeting
- Solicited comments regarding the whitepaper from stakeholders via the MOPC and CAWG exploders on March 5<sup>th</sup>
- CAWG received comments from the following thirteen entities:
  - American Electric Power (AEP)
  - Alabama Power Company – Southern Company Services (Alabama Power)
  - Evergy, Inc.
  - Golden Spread Electric Cooperative/Western Farmers Electric Cooperative/Sunflower Electric Power Corporation
  - GridLiance High Plains (GridLiance)
  - ITC Great Plains, LLC (ITC)
  - Kansas Electric Power Cooperative, Inc. (KEPCo)
  - Lincoln Electric System (LES)/Sunflower
  - Nebraska Public Power District (NPPD)
  - NextEra Energy, Inc (NextEra)
  - Oklahoma Gas & Electric (OG&E)
  - Omaha Public Power District (OPPD)
  - Southwestern Public Service Company (SPS)
- Draft whitepaper and comments may be found on SPP's website under CAWG/Reference Documents/HITT.

# Waiver Process in Draft C2 Whitepaper

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- A waiver may be requested based on the utilization or anticipated utilization of the transmission facility. The entity seeking the waiver retains the burden of proof.
- For facilities with an NTC issued between June 19, 2010 and the effective date of the waiver process, a request shall be made in writing to SPP within 180 days following FERC approval of the waiver process.
- For facilities with an NTC issued after the effective date of the waiver process, a request shall be made in writing to SPP within 120 days of the issuance of the NTC. SPP shall provide notice to the CAWG and RSC upon receipt of the waiver request.



# Waiver Process in Draft C2 Whitepaper (Cont'd)

- Any waiver request submitted will be evaluated by SPP based upon the following factors, including but not limited to:
  - (i) whether the power flows on the transmission facility predominantly result from output by resources not affiliated with utilities serving load in the zone;
  - (ii) whether the transmission asset is not necessary for the support of, or does not substantially benefit the host zone to which it is connected.
- SPP shall make a recommendation regarding approval or denial of the waiver request to the CAWG, RSC and the MOPC within 90 days of receipt of the waiver.

# Waiver Process in Draft C2 Whitepaper (Cont'd)

- The RSC and MOPC shall consider the waiver request and provide a recommendation, if any, within one hundred twenty (120) days following receipt of the waiver request recommendation from SPP. SPP staff shall present its analysis and the recommendations of the RSC and MOPC to the SPP Board for approval or denial.
- If the waiver is granted, the requested facility shall be cost allocated in the same manner as Base Plan Upgrades that are greater than 300 kV (100% regional funding of the portion of the Base Plan Upgrade cost eligible for cost allocation).
- For existing facilities, the revised cost allocation methodology would become effective on the first calendar day of the month following approval of the waiver by the SPP Board. The revised cost allocation would apply prospectively, only to such facilities' revenue requirements on or after the effective date.

# Next Steps

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- CAWG will continue to review comments & discuss potential edits to the draft whitepaper
- CAWG vote on whitepaper
- Request a vote from the RSC on the whitepaper during the July RSC meeting

# **COST ALLOCATION WORKING GROUP**

Byway Facility Cost Allocation Review  
Process White Paper

April 10, 2020 DRAFT

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# Cost Allocation Working Group Byway Facility Cost Allocation Review Process White Paper

## I. Summary

In March 2018, the SPP Board of Directors (Board) and Members Committee created the Holistic Integrated Tariff Team (HITT) to comprehensively review SPP's cost allocation model, transmission planning processes, Integrated Marketplace services, and disconnects or synergies between planning and real-time reliability and economic operations. The Board appointed 15 stakeholders to the HITT, including two Board members, two state regulators from the Regional State Committee (RSC), and members representing diverse sectors. After 17 meetings and vigorous debate and discussion, the HITT agreed on 21 high-level recommendations in its [final report](#) for the Board's consideration. In July 2019, the SPP Board approved the package of recommendations.

Following the Board's approval of the HITT's recommendations, the recommendations were assigned to SPP's committees and working groups for implementation. The Cost Allocation Working Group (CAWG) and the RSC are assigned as the lead working groups on three recommendations and as secondary working groups on four of the 21 recommendations.

This White Paper focuses on HITT Cost Allocation Recommendation 2, which is to evaluate a byway facility cost allocation review process through which costs for specific projects between 100 kV and 300 kV (byway facilities) can be fully allocated prospectively on a region-wide basis.

The CAWG recommends:

- (1) the establishment of a narrow byway facility cost allocation review

process through which future revenue requirements for specific qualifying facilities, with voltage levels between 100kV and 300kV, can be fully allocated on a region-wide basis;

- (2) projects eligible for the narrow byway facility cost allocation review process should include new and existing Schedule 11 facilities<sup>1</sup>; and
- (3) the review process criteria should be as follows ...**HIGH-LEVEL SUMMARY TO BE FILLED IN ONCE THE PROCESS HAS BEEN DETERMINED**, which is further detailed in Section III.C of this white paper.

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<sup>1</sup> The portions of cost for facilities that were or will be directly assigned shall not be eligible for this review process.

## **II. Background**

### **A. Cost Allocation History**

The SPP Bylaws grant the RSC with primary authority over four specific areas, one of which is cost allocation with respect to the application of license plate and postage stamp rates for regional access.<sup>2</sup> The CAWG and the RSC have a long history of analyzing and implementing cost allocation methodologies for transmission facilities within the SPP region and the RSC has exercised this authority multiple times since 2004.

In terms of financial impact, the most significant change to SPP's cost allocation to date has been the development of the Highway/Byway (HWBW) cost allocation methodology. Similar to the HITT process, the SPP Board established the Synergistic Planning Project Team (SPPT) in 2009 to recommend improvements to SPP's regional transmission planning process and cost allocation methodology. Among the SPPT recommendations was the establishment of a HWBW cost allocation methodology. On October 26, 2009, the RSC approved the CAWG's recommendation for the new Base Plan Funding methodology – HWBW – with one Member voting no.<sup>3</sup>

On June 17, 2010, the FERC approved the HWBW cost allocation methodology for all Base Plan Upgrades for which SPP issues a Notification to Construct (NTC), with an effective date on or after June 19, 2010. Pursuant to the HWBW cost allocation methodology, SPP allocates the costs for reliability and economic projects identified in SPP's transmission planning processes among individual SPP pricing zones and to the entire SPP region based on the voltage level and location of the specific facility, as provided in Table A below.<sup>4</sup>

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<sup>2</sup> Southwest Power Pool, Inc. Bylaws, First Revised Volume No. 4 Section 7.2.

<sup>3</sup> The one "no" vote was the Nebraska RSC member.

<sup>4</sup> The HWBW methodology does not apply to upgrades identified in SPP's generator interconnection process or the

**Table A: Highway Byway Cost Allocation Methodology**

<b>Voltage</b>	<b>SPP Region Pays Based on Member Utilities' Load Ratio Share</b>	<b>Local Zone Where the Transmission Facility is Located Pays</b>
<b>300 kV and above</b>	100%	0%
<b>above 100 kV and below 300 kV</b>	33%	67%
<b>100 kV and below</b>	0%	100%

In developing the HWBW proposal, SPP conducted a number of studies to evaluate the proposed voltage-based cost allocation methodology.<sup>5</sup> SPP undertook a Transmission Distribution Analysis to determine which facilities were used primarily for regional flows and, therefore, fulfilled more of a highway function on an integrated transmission network and which facilities are used more in the local zone or “byway” level.<sup>6</sup> SPP conducted a second study, the Injection Withdrawal Transmission Utilization Analysis, to estimate the portion of transmission line flow that is the result of local utilities serving local load with local generation versus the portion of the transmission line flow that is the result of regional, non-local utilization.<sup>7</sup>

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portion of cost of service upgrades identified through SPP’s Aggregate Transmission Service Study (ATSS) process that does not qualify as Base Plan Upgrade costs eligible for cost allocation. Furthermore, HWBW only applies to NTCs issued on or after the effective date of HWBW, June 19, 2010.

<sup>5</sup> Southwest Power Pool, Docket No. ER10-1069-000, April 19, 2020.

<sup>6</sup> The Transmission Distribution Analysis assesses the responsiveness of different facilities to power that transfers among SPP zones as indicated by the impact of the illustrative transactions on the facilities included in the analysis. The Transmission Distribution Analysis indicated that extra-high voltage (EHV) facilities (300 kV or above) were far more responsive to inter-zonal flows (98 percent for the Balanced Portfolio EHV facilities and 77 percent for the existing SPP EHV facilities) than were lower voltage facilities (38 percent for the 115 – 138 kV facilities and 14 percent for the existing 69 kV facilities). SPP found similar results when analyzing a series of through transactions. SPP concluded that the Transmission Distribution Analysis demonstrated that higher voltage facilities contributed more to transmission transactions that cross one or more zonal boundaries, and therefore have a greater role in supporting regional use of the integrated transmission system than lower voltage facilities.

<sup>7</sup> The Injection Withdrawal Transmission Utilization Analysis simulated market-based economic dispatch of generating units using the SPP system topology as committed through 2019 for the summer, spring and winter peak hours of 2019, and assessed the degree to which EHV transmission facilities facilitate regional flows during the three dispatch hours. The Injection Withdrawal Transmission Utilization Analysis demonstrated that the total average percentage of regional usage of the EHV facilities studied was 78 percent. Thus, SPP concluded that these studies demonstrated that EHV facilities support regional service primarily and lower voltage facilities support local transmission services.



The HWBW cost allocation methodology proposal included an exception for Base Plan Upgrades that operate at less than 300 kV and are associated with a wind generation Designated Resource that serves load in a zone where the necessary Base Plan Upgrade(s) is not located. Specifically, 67 percent of the costs associated with those Base Plan Upgrades are allocated to the entire SPP region and the remaining 33 percent of the costs are directly assigned to the transmission customer requesting service from that Designated Resource. However, the HWBW cost allocation methodology continues to apply to: (1) Base Plan Upgrades that are located within the same zone as the transmission customer’s Point of Delivery; and (2) Base Plan Upgrades that operate at 300kV and above. The exception described above, sometimes referred to as the “wind allocation rule” is shown in Table B below.

**Table B: HWBW Cost Allocation Methodology for Base Plan Upgrades associated with a Designated Resource that is Wind**

Voltage	Upgrade in Same Zone as Transmission Customer's POD		Upgrade in a Zone other than Transmission Customer's POD	
	Regional	Zonal	Regional	Zonal
<b>300 kV and above</b>	100%	0%	100%	0%
<b>above 100 kV and below 300 kV</b>	33%	67%	67%	0%*
<b>100 kV and below</b>	0%	100%	67%	0%*

**\* The remaining one-third for less than 300 kV for an upgrade in a Zone other than the Transmission Customer's POD is allocated to the Transmission Customer.**

**B. Recent Events**

In recent years, there has been a significant increase in renewable generation, predominantly wind, throughout the SPP region. While most zones have seen some wind generation additions, a few “wind-rich” zones have been disproportionately affected, primarily

because of the high quantity of wind resources in those zones.<sup>8</sup> Unlike traditional generation sources, renewable generation is not necessarily located close to the load it serves, but rather, is remotely located where the renewable energy resource is abundant. This has resulted in some wind-rich zones having nameplate generation capacity in excess of 500% of the peak demand for load inside the zone. This results in increased load flows on both highway *and* byway facilities inside these wind-rich zones, causing an increased amount of Base Plan Upgrade costs being allocated to these wind-rich zones. Furthermore, unless the wind generation is a Designated Resource, the wind allocation rule does not apply.

In addition, the Integrated Marketplace, launched in 2014, attracted a significant amount of wind generation that has been interconnected using Energy Resource Interconnection Service (ERIS) without securing any transmission service, such as point-to-point or network integration transmission service. Because of the different parameters used to study an ERIS resource, an ERIS study generally will not identify as many necessary transmission improvements compared to either a Network Resource Interconnection Service (NRIS) study or a long-term transmission service request study. Even in cases where transmission service has been granted that sources from a wind resource, it is possible for additional upgrades to be identified through the Integrated Transmission Planning (ITP) process because of the application of criteria in the ITP study that differ from those in the Aggregate Transmission Service Study. As a result of these factors, the significant amount of wind generation in some zones has resulted in reliability upgrades that are not identified until subsequent iterations of the ITP studies, which are then cost allocated pursuant to the HWBW cost methodology instead of being regionally allocated or directly assigned to wind

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<sup>8</sup> See Cost Allocation in Wind Rich Areas Report:  
<https://www.spp.org/documents/61424/cost%20allocation%20in%20wind%20rich%20areas%20report.pdf>

generators causing the reliability need.

Zones with an abundance of renewable resources export much of the energy to other zones. Hourly load and energy production data presented to the CAWG demonstrated the extent to which energy was being exported from some zones with a high concentration of wind energy production. In some wind-rich zones, byway facilities have been identified as needed through the ITP even though native load within these zones has remained stable or decreased.<sup>9</sup> Because 67% of the byway facility cost is allocated to the local zone, zones with an abundance of renewable resources that export much of the energy to other zones are required through SPP's planning process to build byway facilities for this export and thus receive a disproportionate share of the costs.

### **C. CAWG's Wind-Rich Areas Report and Review**

From November 2017 through January 2018, the CAWG and RSC were presented with information related to load flows in wind-rich areas. At the January 2018 RSC meeting, the RSC directed the CAWG to prepare an analysis of cost allocation in wind-rich areas to determine if changes to HWBW cost allocation are needed.

In March 2018, the SPP Board created the HITT to conduct a comprehensive year-long review of SPP's processes and recommend high-level solutions to the region's challenges, including cost allocation impacts on transmission pricing zones with significant wind resources. The CAWG and HITT evaluated these issues concurrently.

The CAWG reviewed several analyses and presentations prepared by SPP staff,

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<sup>9</sup> See September 6, 2018 presentation by Sunflower and October 2, 2018 presentation by SPP Staff, which are included as Appendices B and C, respectively, in the Cost Allocation Working Group's Cost Allocation in Wind-Rich Areas Report, <https://www.spp.org/documents/61424/cost%20allocation%20in%20wind%20rich%20areas%20report.pdf>

stakeholders and CAWG members between May 2018 and January 2019.<sup>10</sup> In February 2019, the CAWG adopted the following motion:

The Cost Allocation Working Group has determined that the current cost allocation methodology and/or rate recovery mechanism in zones with a high proportion of generation relative to zonal load is not reflective of cost causation principles.<sup>11</sup>

In July 2019, the CAWG approved its Wind Rich Areas Cost Allocation Report that included an overview of the issues, a summary of the work performed, analyses of the various solutions and recommendations to the RSC. In coordination with recommendations by the HITT, the CAWG approved three recommendations to the RSC. These recommendations were as follows:

1. Decouple Schedule 9 and Schedule 11 transmission pricing zones, allowing for potentially larger Schedule 11 pricing zones (HITT recommendation C1);
2. Evaluate byway facility cost allocation review process (HITT recommendation C2); and
3. Complete a future study of a generator injection rate (stand-alone recommendation).

The RSC approved the [Cost Allocation in Wind-Rich Areas Report](#), including the recommendations, on August 5, 2019.<sup>12</sup> The Board approved the [HITT report](#) on July 30, 2019.

#### **D. HITT C2 Recommendation**

The second recommendation in the Cost Allocation in Wind-Rich Areas Report is also referred to as HITT Recommendation C2. The HITT C2 recommendation states:

SPP should evaluate creating a narrow process through which costs for specific projects between 100 kV and 300 kV can be fully allocated prospectively

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<sup>10</sup> The presentations are included in the Appendices to the Cost Allocation Working Group's Cost Allocation in Wind-Rich Areas Report. See:

<https://www.spp.org/documents/61424/cost%20allocation%20in%20wind%20rich%20areas%20report.pdf>

<sup>11</sup> The motion was approved during the February 12, 2019 CAWG meeting.

<sup>12</sup> Commissioner Dennis Grennan (NPRB) moved to approve the Report and Commissioner Shari Albrecht (KCC) seconded. The motion was approved with one abstention (OCC) and one no vote (PUCT).

on a region-wide basis. The process should take into consideration regional benefits resulting from the facilities, including energy exports from the transmission pricing zone where each project is located.

Under this recommendation, costs for a byway-funded transmission upgrade could be funded using a region-wide allocation after meeting certain criteria under a narrow review process. Projects eligible for this narrow process must be base plan upgrade costs eligible for cost allocation under the SPP tariff. This could include new or existing Schedule 11 facilities and costs that are directly assigned shall not be eligible for this review.

This process could be administered through a request for waiver of the cost allocation that otherwise would be applicable. Information concerning the specific upgrade(s) must be submitted to SPP for such costs to be considered for full region-wide allocation. The process for review and approval of the requests could conceptually follow the current processes for addressing waiver requests related to upgrades for transmission service and for transformers, as described in Section III of Attachment J.

The HITT Report assigns the CAWG and RSC as the lead working groups for this recommendation. The Economic Studies Working Group (ESWG) and the Regional Tariff Working Group (RTWG) are listed as secondary working groups. The stated goal is for the CAWG to complete a recommendation to the RSC by the July 2020 stakeholder meetings.

#### **E. CAWG Review of the C2 Recommendation**

Although the CAWG discussed the byway cost allocation waiver process prior to the Board's approval of the HITT Report in July 2019, the more thorough evaluation of this particular recommendation at CAWG began in August 2019.

During the August 2019 CAWG meeting, the CAWG reviewed the transformer waiver language (Attachment J, Section III in the SPP Open Access Transmission Tariff), discussed utilizing this process as a model for the byway cost allocation waiver process, and brainstormed potential modifications that could be made to the transformer waiver process for potential byway cost allocation waiver process purposes.<sup>13</sup> In addition, the CAWG determined it would

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<sup>13</sup> The CAWG Initial Brainstorming of HITT Recommendation C2: Evaluate Byway Facility Cost Allocation Review Process, August 2019 presentation may be found in Appendix A.

solicit presentations from any stakeholder that desires to present educational materials to the CAWG on this or any other HITT recommendation assigned to the CAWG during the September 2019 through January 2020 CAWG meetings.

During the September 2019 CAWG meeting, Sunflower Electric Power Cooperative (Sunflower) presented to the CAWG a proposal that it developed in conjunction with Midwest Energy, Inc. regarding a potential process to apply for a waiver of cost allocation for specific byway projects.<sup>14</sup> Following the presentation, the CAWG discussed the various components of the proposal and determined that it would solicit feedback from interested entities regarding the August and September presentations and related discussion questions. CAWG sent its request for comments to the Market and Operations Policy Committee (MOPC) and CAWG Exploders (and the RSC) on September 17, 2019.<sup>15</sup>

The CAWG received [comments](#) from six entities: Arkansas Electric Cooperatives, Inc. (AECC), American Electric Power (AEP), Lincoln Electric System (LES), Nebraska Public Power District (NPPD), Southwestern Public Service (SPS) and ACES/Sunflower (Sunflower). The CAWG prepared a [summary matrix](#) of the filed comments; the matrix and individual comments were reviewed and discussed during the October 2019 CAWG meeting.

During the November 2019 CAWG meeting, the CAWG received a presentation from AECC that addressed the C1 and C2 HITT recommendations.<sup>16</sup> The CAWG also reviewed the summary matrix, and voted on two motions to frame its work on the issues going forward. The two motions passed, each with a 10-0 vote and one abstention (Louisiana Public Service Commission). The motions are as follows:

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<sup>14</sup> The Sunflower Presentation on Possible Criteria/Process for HITT Recommendation C2, September 2019, may be found in Appendix B.

<sup>15</sup> CAWG's September 17, 2019, Request for Comments may be found in Appendix C.

<sup>16</sup> The AECC Presentation to CAWG HITT C1 and C2, November 2019, may be found in Appendix D.

(1) The CAWG recommends the establishment of a narrow byway facility cost allocation review process through which future revenue requirements for specific qualifying facilities, with voltage levels between 100kV and 300kV, can be fully allocated on a region-wide basis.

(2) The CAWG recommends that projects eligible for the narrow byway facility cost allocation review process should include new and existing Schedule 11 facilities. The portions of costs for facilities that were or will be directly assigned shall not be eligible for this review process.

During the December 2019 CAWG meeting, the CAWG received a presentation from Oklahoma Gas & Electric (OG&E) regarding its views of possible options for establishing a byway cost allocation waiver process.<sup>17</sup> The CAWG discussed additional comments and proposals received since the last meeting.<sup>18</sup> The CAWG continued its discussion during its January 2020 meeting, including the OG&E presentation.<sup>19</sup>

### **III. Analysis**

#### **A. Transformer Waiver Criteria, Attachment J, Section III**

The HITT Report suggests that the byway facility cost allocation waiver process could conceptually be modeled after the waiver process currently utilized by entities seeking to utilize the transformer's higher voltage instead of the lower voltage level for purposes of cost allocation. Similar to the waiver process proposed in this White Paper, the transformer waiver process provides an avenue for entities to request that dual-voltage facilities (i.e., transformers) be cost allocated based on the usage of the transformer.

Pursuant to the HWBW cost allocation methodology, regional and zonal costs are based upon the nominal operating voltage of the Base Plan Upgrade and transformers are cost allocated using the lower voltage level. SPP, however, recognized that it needed to provide flexibility

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<sup>17</sup> The Recommendations for Byway Facilities Waiver Process December 2019 presentation by OG&E may be found in Appendix E.

<sup>18</sup> The December 2019 CAWG C2 discussion document may be found in Appendix F.

<sup>19</sup> The January 2020 CAWG C2 discussion document may be found in Appendix G.

because sometimes a waiver from the determined cost allocation may be necessary based on the anticipated utilization of the transformer. In its request to FERC, SPP recognized that the transformer waiver proposal is consistent with the FERC's determination that "SPP must have some degree of flexibility in making cost allocation determinations and that therefore, the existence of a waiver process is appropriate."<sup>20</sup>

FERC conditionally approved SPP's request for a transformer waiver process, but expressed concern that SPP's filing did not provide factors that SPP will consider in evaluating waivers for dual voltage facilities. Therefore, FERC required SPP to submit a compliance filing incorporating the factors that would be used to evaluate a request for waiver for a dual-voltage facility for cost allocation purposes.<sup>21</sup>

In compliance with FERC's directive, on August 16, 2010, SPP revised Section III of Attachment J to include the following language:

Any waiver request submitted shall be evaluated based upon the following general factors, including but not limited to: (i) whether the power flows through the transformer predominantly are from the lower voltage to the higher voltage; (ii) whether the transformer is not necessary for the support of, or does not substantially benefit, the lower voltage system in the host zone to which it is connected.

SPP stated in its compliance filing that the two factors listed above will be used in determining whether the dual voltage transformer will operate predominantly as a higher voltage facility or a lower voltage facility. If a transformer is determined to function mainly as a higher voltage facility, a waiver is appropriate and the transformer shall be cost-allocated in accordance with the tariff provisions for the high-side voltage.

Various parties sought rehearing and argued that the FERC's finding that requiring SPP to

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<sup>20</sup> Southwest Power Pool, Docket No. ER10-1269-000, May 17, 2010, pp. 27-28.

<sup>21</sup> Federal Energy Regulatory Commission, Docket No. ER10-1269-000, Order Conditionally Accepting Tariff Revisions, July 15, 2010.



revise its tariff to provide criteria for determining whether a waiver will be granted for cost allocation for dual voltage equipment while not requiring the methods, assumptions and data to be used in its evaluation is contrary to the “rule of reason”. In its July 21, 2011 Order Denying Rehearing and Granting Clarification, FERC disagreed with protesters and upheld the waiver criteria filed by SPP.

As approved, the transformer waiver language in Section III of Attachment J reads as follows:

A waiver may be requested to use a transformer’s higher voltage level instead of the lower voltage level for the purposes of cost allocation under this Attachment J based on the anticipated utilization of the transformer. Such request must be made in writing with supporting analysis and submitted to the Transmission Provider not later than one hundred eighty (180) days following the inclusion of the transformer in an approved SPP Transmission Expansion Plan. Any waiver request submitted shall be evaluated based upon the following general factors, including but not limited to: (i) whether the power flows through the transformer predominantly are from the lower voltage to the higher voltage; (ii) whether the transformer is not necessary for the support of, or does not substantially benefit, the lower voltage system in the host zone to which it is connected. The Transmission Provider shall make a recommendation to accept or deny the waiver, on a non-discriminatory basis, to the Markets and Operations Policy Committee. The Markets and Operations Policy Committee will consider the waiver request and the Transmission Provider’s recommendation, and will provide its own recommendation (along with the Transmission Provider’s recommendation) regarding such waiver to the SPP Board of Directors. Barring unusual circumstances, the recommendation to approve or reject such waiver request will be submitted to the SPP Board of Directors within one hundred twenty (120) days following receipt of the waiver request.

As discussed, the tariff does not prescribe what specific data or documentation needs to be included in a transformer waiver request but, rather, it lists the evaluation criteria that will be utilized to review the waiver request. The language provides additional flexibility by stating that the evaluation will include the listed general factors but is not limited to the listed factors.

To date, SPP has received only four transformer waiver requests.<sup>22</sup> Therefore, it appears

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<sup>22</sup> During its October 25, 2011 meeting, the SPP Board approved SPP Staff’s recommendations to use the higher

that the criteria established in this process has not resulted in an overwhelming number of waiver requests.

### **B. CAWG's Review of the Transformer Waiver Criteria**

During the August 2019 CAWG meeting, the CAWG reviewed the transformer waiver language, discussed utilizing this process as a model for the byway cost allocation waiver process, and brainstormed potential modifications that could be made to the transformer waiver process for potential byway cost allocation waiver process purposes. The CAWG solicited comments from stakeholders regarding utilizing a process similar to the transformer waiver language.

None of the commenters opposed utilizing a revised version of the transformer waiver process. One commenter opined that the entity requesting the waiver should determine what information should be provided to substantiate its waiver request, while one commenter suggested specific criteria that could be utilized.

### **C. Recommendation**

Similar to the transformer waiver process as outlined in Attachment J, Section III, the Byway Facility Cost Allocation Waiver process could include the following components:

- A waiver of the cost allocation methodology found in Section III of Attachment J of the SPP tariff may be requested based on the utilization or anticipated utilization of the transmission facility.
- For facilities with an NTC issued between June 19, 2010 and the effective date of this waiver process, a request shall be made in writing to the Transmission Provider (SPP) within one hundred eighty (180) days following FERC approval of the waiver process.
- For facilities with an NTC issued after the effective date of this waiver process, a request shall be made in writing to the Transmission Provider within one hundred twenty (120) days of the issuance of the NTC. The Transmission Provider shall provide notice to the CAWG and RSC upon receipt of said waiver request.

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voltage level of: (1) Mid-Kansas' Thistle (Medicine Lodge) 345/138kV transformer; and (2) SPS's Hitchland 345/230kV transformer for cost allocation purposes. During its October 30, 2012 meeting, the SPP Board approved the Markets and Operations Policy Committee (MOPC) recommendation that the Board approve NPPD's requested waiver for Base Plan Funding of the Neligh 345/115 kV transformer. During its July 28, 2015 meeting, the SPP Board approved the MOPC recommendation to deny KCPL's South Waverly 161/69 kV transformer waiver request.

- Any waiver request submitted will be evaluated by the Transmission Provider based upon the following factors, including but not limited to:
  - (i) whether the power flows on the transmission facility predominantly result from output by resources not affiliated with utilities serving load in the zone;
  - (ii) whether the transmission asset is not necessary for the support of, or does not substantially benefit the host zone to which it is connected.
- The Transmission Provider (SPP) shall make a recommendation regarding approval or denial of the waiver request to the CAWG, RSC and the MOPC within 90 days of receipt of said waiver. The RSC and MOPC shall consider the waiver request and provide a recommendation, if any, within one hundred twenty (120) days following receipt of the waiver request recommendation from the Transmission Provider. The Transmission Provider shall present its analysis and the recommendations of the RSC and MOPC to the SPP Board for approval or denial.
- If the waiver is granted, the requested facility shall be cost allocated in the same manner as Base Plan Upgrades that are greater than 300 kV (currently 100% regional funding of the portion of the Base Plan Upgrade cost eligible for cost allocation).
- For existing facilities, the revised cost allocation methodology would become effective on the first calendar day of the month following approval of the waiver by the SPP Board. The revised cost allocation would apply prospectively, only to such facilities' revenue requirements on or after the effective date.

The burden of demonstrating that a facility should receive a waiver rests upon the entity seeking the waiver. To support its request, the following is minimum information that will assist the Transmission Provider and the Board in determining the appropriateness of granting a waiver:

1. Party requesting the waiver
2. Copy of the Notice to Construct for the Base Plan Upgrade (facility) for which the waiver is requested.
3. For an existing facility, the remaining gross plant, remaining net plant and current ATRR.
4. Map(s) showing location of facility
5. If applicable, list of resource(s) that the requesting party assesses to be a primary cause of the transmission system need for the facility and the following associated information:
  - a. Resource location on map;
  - b. Resource location on one-line diagram;
  - c. Whether load in host zone has rights to receive energy or capacity from the resource through contract or ownership;
  - d. Type of interconnection service (ERIS, NRIS); and
  - e. Whether resource is a source for long-term point-to-point or network transmission service with delivery to load in the host zone.
6. One-line diagram(s) of facility for which waiver is requested and nearby facilities
7. For a reliability project, provide power flow information demonstrating the extent

to which power flows on the facility result from output by resources not affiliated with utilities serving load in the zone

8. For an economic project, analysis estimating how much economic benefit from the facility is received by load in the zone where the facility is located.
9. Any additional information the entity seeking the waiver believes supports its request for a waiver.

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