

MEMORANDUM

TO: SPP RSC
FROM: Mike Proctor
RE: Result of April 30 CAWG Meeting
DATE: May 5, 1008

At the April 30 CAWG meeting, SPP staff presented revised results for the four cost allocation proposals: 1) Compromise, 2) TO; 3) TDU and 4) OGE.

There were four issues needed to determine the recommendation on cost allocation for designated wind resources to the RSC.

1. Whether to count full transmission capacity requested (e.g., 100% of name plate capacity for wind turbine) or accredited capacity for meeting peak demand (e.g., 10% of name plate capacity for wind turbine) in the restriction for Base Plan Funding to total generation capacity of less than or equal to 125% of peak load.
2. Whether the restriction on wind capacity to be included in the cost allocation for designated wind resources should be 20% of peak demand in the first year that the full amount of the transmission service requests can be met, or 20% of the name plate rating of the generation capacity designated as resources, including the name plate capacity of the wind generation.
3. Whether to allocate non-sink zone costs: a) 1/2 postage stamp / 1/2 direct assignment; or b) 2/3 postage stamp / 1/3 direct assignment.
4. Whether or not to include a cap of 1/3 of total cost assigned to a request for a designated wind resource on directly assigned costs.

The results of the CAWG meeting are:

1. The accredited capacity for wind should be used in determining any violations of the 125% of peak demand limit.
2. The restriction on designated wind resources included in the proposed cost allocation should be 20% of peak demand.
3. The allocation of non-sink zone costs should be 2/3 postage stamp and 1/3 direct assignment.
4. A cap should not be included in the tariff.

I am available to discuss this matter with the RSC by teleconference if that is the desire of the RSC. I can update the slides from the April RSC meeting if the RSC wants to see the recommendation in total.

Thanks,

Mike Proctor

Cost Allocation of Designated Wind Resources

To SPP RSC

May 28, 2008

Updates from April CAWG Meeting

Remaining Two Proposals

Modified Compromise

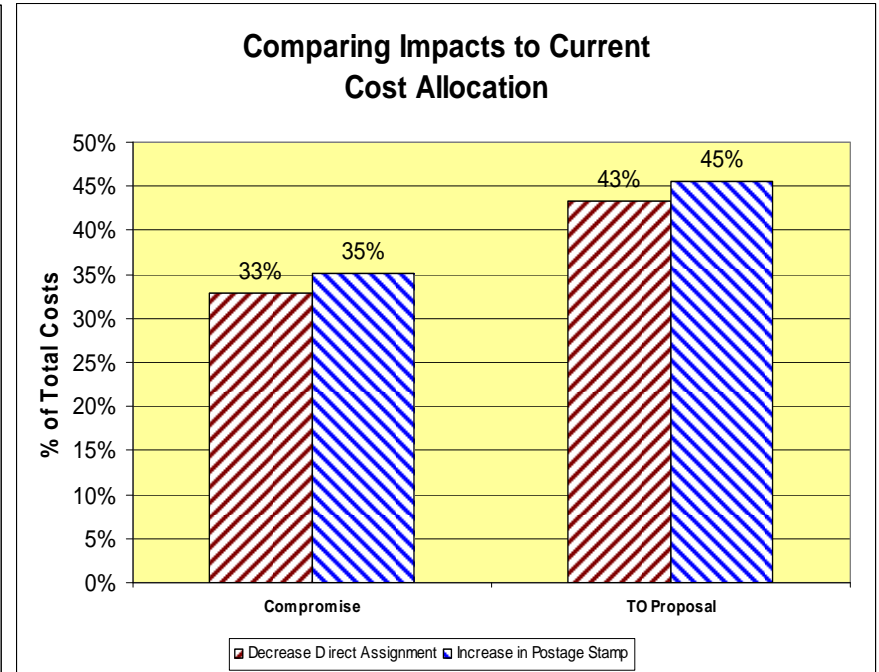
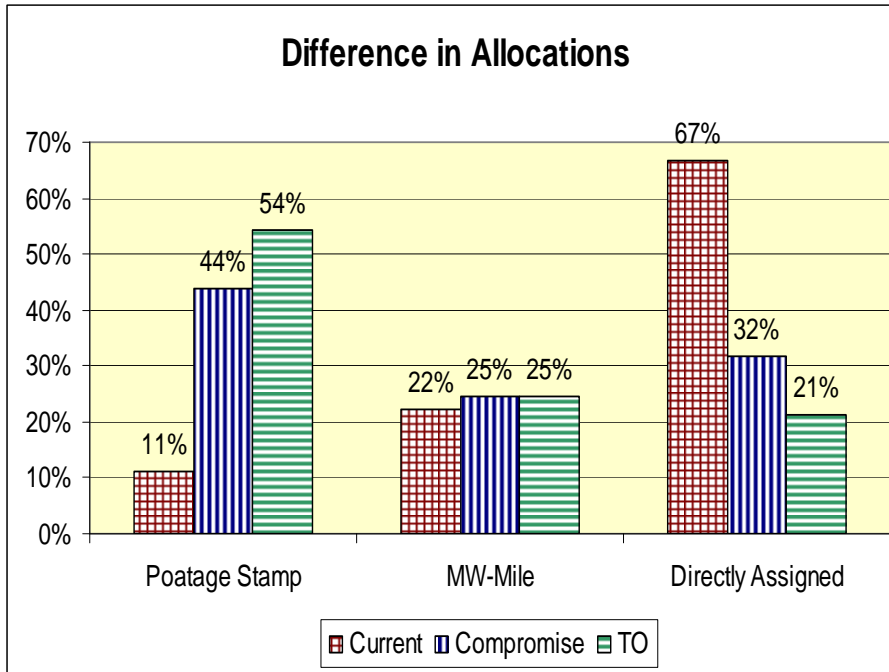
- **Safe Harbor**
 - Uses Requested Transmission Capacity
 - Applies to all costs assigned to transmission service request
- **Sink Zone Costs**
 - 1/3 Postage Stamp
 - 2/3 MW-Mile
- **Non-Sink Zone Costs**
 - 1/2 Postage Stamp
 - 1/2 Direct Assignment
- **Limits**
 - Wind DR MW of Transmission Service $\leq 20\%$ (Forecasted Summer Peak)
- **Waivers**
 - Waivers will be considered
- **Caps**
 - **Possibly** a limit of 1/3 total cost directly assigned to requestor, with the excess going to the postage stamp rate.

Transmission Owners

- **Safe Harbor**
 - Uses Requested Transmission Capacity
 - Applies to all costs assigned to transmission service request
- **Sink Zone Costs**
 - 1/3 Postage Stamp
 - 2/3 MW-Mile
- **Non-Sink Zone Costs**
 - 2/3 Postage Stamp
 - 1/3 Direct Assignment
- **Limits**
 - Wind DR MW of Transmission Service $\leq 20\%$ (Net Capacity of Designated Resources)
- **Waivers**
 - No Waivers will be considered
- **Caps**
 - No limits on percent of cost that can be directly assigned to the requestor

Implications from the Two Proposals

The impacts shown below are for a specific example that may or may not be representative of a “typical” request for Designated Wind Resource



This example illustrates:

1. Using Requested Transmission Capacity significantly reduces costs that would otherwise be directly assigned to the requestor.
2. The difference between the Compromise proposal and the TO proposal is costs going into the postage stamp rate and costs that are directly assigned to the requestor.

Results of April CAWG

- **Safe Harbor**
 - Uses Requested Transmission Capacity (e.g., name plate capacity)
 - Applies to all costs assigned to transmission service request
- **Sink Zone Costs**
 - 1/3 Postage Stamp
 - 2/3 MW-Mile
- **Non-Sink Zone Costs**
 - 2/3 Postage Stamp
 - 1/3 Direct Assignment
- **Limits**
 - Wind DR MW of Transmission Service $\leq 20\%$ (Forecasted Summer Peak)
 - For the capacity limit of 125% of load, a designated wind resource's capacity should be evaluated at its accredited capacity (e.g., 10% of name plate capacity).
- **Waivers**
 - Waivers will be considered
- **Caps**
 - None