



SPECIAL MEETING

Monday, June 16, 2008

5:15 pm – 6:00 pm CDT

The Skirvin Hilton, Oklahoma City, OK

- 1. CALL TO ORDER**
- 2. PRELIMINARY MATTERS**
 - a. Declaration of a quorum
- 3. BUSINESS MEETING**
 - a. Report on the progress being made toward incorporation of the Concepts Paper on Economic Upgrades to tariff language.....Dr. Mike Proctor
 - b. Adoption of a revised policy for determining the amount of wind resources included for Base Plan funding (action item).....Dr. Mike Proctor
- 4. Membership Development.....Carl Monroe**
- 5. ADJOURNMENT**



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



Balanced Portfolio: Proposed Tariff Provisions

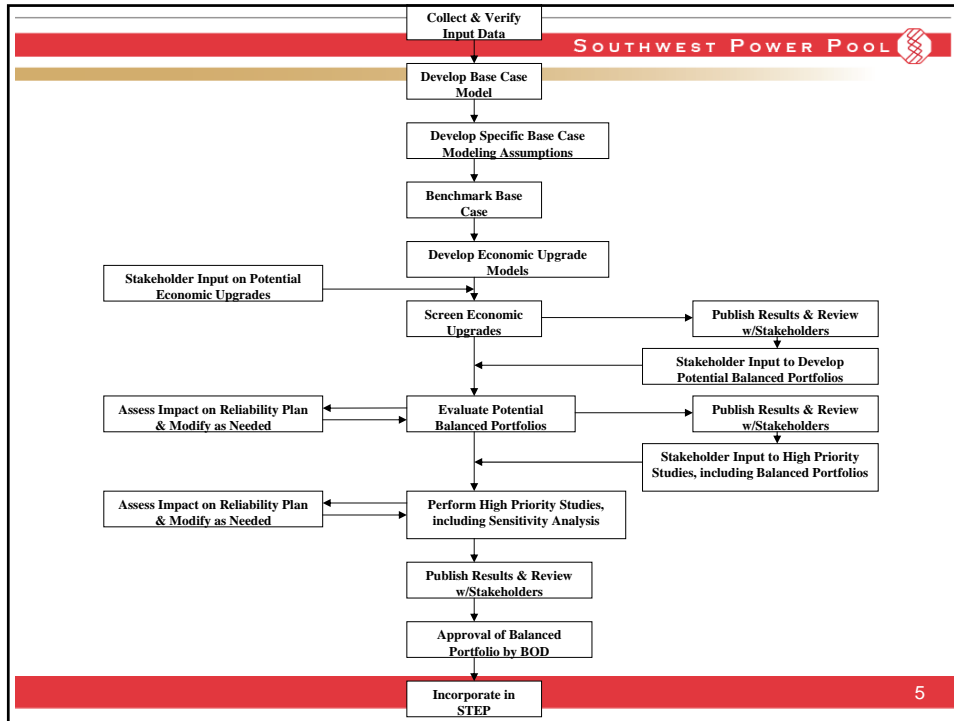
SPP Regional State Committee

June 16, 2008

Developing & Evaluating a Potential Balanced Portfolio

- Need to specify in the Tariff
 - Process to develop a potential Balanced Portfolio
 - Economic upgrades that may be included in a potential Balanced Portfolio
 - Evaluation of the costs and the benefits of a potential Balanced Portfolio
 - Definition of a Balanced Portfolio
 - Options for achieving a Balanced Portfolio
 - Approval process to include a Balanced Portfolio in the STEP

Process to Develop a Potential Balanced Portfolio



SOUTHWEST POWER POOL

Economic Upgrades Included in a Potential Balanced Portfolio

- Must include a 345 kV or higher voltage facility; and
- May include lower voltage transmission facilities needed to integrate the higher voltage facilities & achieve the benefits
 - The cost of the lower voltage facilities cannot exceed the cost of the higher voltage facilities
 - An upgrade that includes lower voltage facilities that exceed the cost of the higher voltage facilities may be included, if a Project Sponsor agrees to bear the portion of the cost of the lower voltage facilities in excess of the cost of the higher voltage facilities

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Evaluation of the Costs and Benefits of a Potential Balanced Portfolio

Evaluation Assumptions

- **The costs (revenue requirements) and benefits for a potential Balanced Portfolio will be calculated:**
 - **Over the same 10 year period; and**
 - **As if all the upgrades that comprise the potential BP are simultaneously available to the power system**

Costs of a Potential Balanced Portfolio

- For each economic upgrade in the potential BP
 - Estimate construction costs
 - Estimate revenue requirements using the transmission fixed charge rate(s) for the appropriate TO(s)
- Revenue requirements for the potential BP is the sum of revenue requirements of the upgrades that comprise the potential BP
- If any costs of an upgrade in the potential BP will be borne by another funding mechanism, those costs will not be included in the revenue requirements for the potential BP

Zonal Allocation of the Costs of a Potential BP

- Allocate the revenue requirements for the potential BP to each Zone based on its Region-wide Load Ratio Share over the ten year period analyzed

Benefits of a Potential Balanced Portfolio

- Use an adjusted production cost metric to analyze the benefits of a potential BP
- Adjusted production cost = production cost minus revenues from sales plus cost of purchases

Zonal Benefits of a Potential BP

- The adjusted cost benefit for each Zone is the difference between the adjusted cost benefit with the potential BP and without the potential BP modeled

Definition of a Balanced Portfolio

- **Cost Beneficial:**
 - **Sum of the benefits of the potential BP \geq sum of the costs of the potential BP**
- **Balanced:**
 - **For each Zone, the zonal benefits of the potential BP \geq the costs of the potential BP allocated to the Zone**

Options for Achieving Balance

- **May include upgrades that do not adhere to the voltage requirements described earlier**
- **May transfer a portion of the “existing” zonal revenue requirement for a deficient Zone to the region-wide revenue requirement**

Approval of a Balanced Portfolio

- The MOPC may endorse one BP developed through the stakeholder process
- The Board may then approve the upgrades in the BP for inclusion in the STEP & construction
- A BP does not need to be developed & approved each year, if:
 - It is determined that there is insufficient benefit to the region from any of the potential BPs; or
 - Consensus on a proposed BP cannot be reached through the stakeholder process

Cost Recovery for Upgrades in an Approved Balanced Portfolio

Cost Recovery for an Approved Balanced Portfolio

- Need to specify in the Tariff
 - The facilities included in the cost allocation
 - The cost allocation
 - The revenue requirement
 - The rate design / charges
 - The applicability of the charges to load & other Transmission Customers
 - The revenue distribution to the Transmission Owners
 - The reallocation mechanism if a portion of the “existing” zonal revenue requirements for deficient Zones are transferred to the region-wide revenue requirement in order to achieve balance
 - Cancellation of an upgrade in an approved Balance Portfolio
 - Treatment of other upgrade costs that are delayed or deferred by an approved Balanced Portfolio

Cost Recovery for Upgrades in an Approved Balanced Portfolio

- Revenue requirement recovered 100% through a region-wide transmission charge
- The region-wide charge applies to:
 - Resident Load; and
 - Transmission Customers taking Point-to-Point Transmission Service under the Tariff
- Revenues collected from the region-wide charge are allocated in proportion to each TO based on their revenue requirement that makes up the charge

Reallocation Mechanism for Deficient Zone(s)

- When a portion of the “existing” zonal revenue requirement(s) is/are transferred to the region-wide revenue requirement in order to achieve balance
 - Start reallocation when at least 10% of the estimated levelized annual revenue requirements for the approved BP has been included in rates under the Tariff (trigger date)
 - On the trigger date & the anniversary of the date in each of the subsequent 4 years, reallocate 20% of the estimated levelized annual revenue requirements
 - Upon completion & inclusion in rates of all the upgrades in an approved BP perform true up using actual costs for each upgrade
- No sunset date for the transfers from the zonal to the region-wide revenue requirement

Cancellation of an Upgrade in an Approved Balanced Portfolio

- Recalculate the costs & benefits without the upgrade
- SPP staff will recommend in a report to the MOPC to reconfigure the previously approved BP by:
 - Removing the cancelled upgrade; or
 - Removing the cancelled upgrade & adding to or eliminating from upgrades contained in the BP
- MOPC will consider SPP staff’s recommendation & will provide its own recommendation, along with the SPP staff recommendation, to the Board
- For a reconfigured BP approved by the Board, the reallocation of any zonal revenue requirements to the region-wide revenue requirement will be adjusted based on the recalculated costs & benefits for each Zone of the reconfigured BP

Treatment of Costs of Upgrades that are Differed or Delayed by an Approved Balanced Portfolio

- **Currently under discussion at the RTWG**
- **Should the costs of differed or delayed upgrades be:**
 - **Subtracted from the costs of the BP, or**
 - √ **Added to the benefits of the BP?**
- **What should be done with differed or delayed costs that were assigned to transmission customers?**