April 19, 2010

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Southwest Power Pool, Inc., Docket No. ER10---000
Submission of Tariff Revisions to Modify Transmission Cost Allocation Methodology

Dear Secretary Bose:


I. INTRODUCTION

The Tariff revisions proposed in this filing are more than 15 months in the making. They reflect the considered analysis of SPP’s stakeholder community, led by the Synergistic Planning Project Team ("SPPT")\(^2\) and SPP’s Regional State Committee

\(^1\) Southwest Power Pool, FERC Electric Tariff, Fifth Revised Volume No. 1 ("Tariff").

\(^2\) The SPPT was created by the SPP Board of Directors in January 2009 to recommend improvements to SPP’s regional transmission planning process and cost allocation methodology. The SPPT is comprised of: two state regulatory commissioners; one representative each from the investor-owned utility, transmission-dependent utility, and market segments of the SPP membership; an outside investor; an industry consultant; and a senior SPP staff member. Exhibit No. SPP-1, Prepared Direct Testimony of Mr. Leslie E. Dillahunt at 17.
(“RSC”), which were charged with examining SPP’s transmission planning procedures and developing recommendations to stimulate investment in, and facilitate the construction of, critically needed new transmission.

As described in more detail below and in the accompanying testimony of Mr. Leslie E. Dillahunty, Senior Vice President for Engineering and Regulatory Policy for SPP, this Tariff filing represents a major shift in the manner by which SPP will allocate the costs of new transmission projects. In short, the proposed Highway/Byway method of allocating new project costs and SPP’s soon to be filed Integrated Transmission Planning (“ITP”) Tariff revisions will replace the existing cost allocation and planning framework that has since been overtaken by recent market, operational, and regulatory changes. Experience has confirmed that a continued focus on reliability-driven, localized solutions is not compatible with the development of robust, regional transmission systems and markets. Indeed, in SPP, the notion that an extra high voltage (“EHV”) upgrade can be readily identified as a reliability-based versus an economic-based upgrade is no longer valid. The criteria that served to delineate such projects have largely blurred and become outdated: today’s economic project is tomorrow’s reliability project.

It is against this backdrop that the enclosed Tariff revisions were developed. They reflect a broader, more contemporary perspective that moves away from a reliability-based, zonally-focused cost allocation methodology to a methodology that is more closely aligned with SPP’s new ITP process and the need for and benefits of regional, higher-voltage solutions. To that end, the proposed Highway/Byway methodology will allocate the costs of future transmission facilities based on the voltage level of the particular facility, with the cost of EHV facilities (operating at or above 300 kV) allocated 100% to the regional rate, the cost of mid-tier facilities (operating above 100 kV and below 300 kV) allocated on a one-third/two-thirds, regional to zonal basis, and the cost of low voltage facilities (operating at or below 100 kV) allocated entirely to the zonal rate. By allocating costs in this manner, the Highway/Byway methodology provides a Tariff mechanism that appropriately allocates the costs of projects developed in a comprehensive regional planning process.

SPP has responded to changing market and regulatory conditions through the development of new and innovative approaches to cost allocation and regional planning. SPP’s Base Plan Funding cost allocation methodology (“Base Plan Funding”), which marked the first step in SPP’s attempt to address regional planning and cost allocation issues, was followed by the Balanced Portfolio approach, which built upon and expanded

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3 The RSC is comprised of one designated commissioner from each state regulatory commission having jurisdiction over an SPP Member. Southwest Power Pool, Inc., Bylaws, Original Volume No. 4 § 7.2 (“Bylaws”).

4 See Exhibit No. SPP-1 at 4 (chart summarizing Highway/Byway voltage levels).
the regional pricing principles of Base Plan Funding. As these initiatives confirm, transmission planning and cost allocation are not a static exercise – adjustments must continue to be considered, and changes implemented, as dictated by the dynamic changes taking place within the SPP Region. That is the purpose of this filing.

II. BACKGROUND

A. SPP

SPP is a Commission-approved Regional Transmission Organization (“RTO”). It is an Arkansas non-profit corporation with its principal place of business in Little Rock, Arkansas. SPP currently has 57 Members in nine states and serves more than 5 million customers in a 370,000 square-mile area. Its Members include 14 investor-owned utilities, 9 municipal systems, 11 generation and transmission cooperatives, 4 state agencies, 6 independent power producers, 10 power marketers, and 3 independent transmission companies.

As an RTO, SPP is a transmission provider currently administering Transmission Service over 57,575 miles of transmission lines covering portions of Arkansas, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas. Relevant to this filing, SPP annually develops an SPP Transmission Expansion Plan (“STEP”) in accordance with Attachment O of the SPP Tariff, and Attachment J of the SPP Tariff governs cost allocation for facilities under the Tariff. Attachment H of the SPP Tariff lists the Annual Transmission Revenue Requirements (“ATRR”) for each SPP pricing Zone.

B. SPP Regional State Committee

In its order conditionally granting RTO status to SPP, the Commission expressed support for SPP’s proposal to establish the RSC, and directed SPP to modify its Bylaws to adopt specific functions for the RSC. The February 10, 2004 Order directed SPP to adopt Bylaws provisions authorizing the RSC to determine regional proposals and the transition process in the areas of (among others):

1. whether and to what extent participant funding would be used for transmission enhancements; and
2. whether license plate or postage-stamp rates will be used for the regional access charge.

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6 *Id.* at PP 218-19.
The Commission also indicated that “[i]f the RSC reaches a decision on the methodology that would be used, SPP would file this methodology pursuant to Section 205 of the FPA. SPP can also file its own proposal pursuant to Section 205.” 7 Finally, the Commission found that the RSC should determine: (1) the approach for resource adequacy across the SPP Region; (2) whether transmission upgrades for remote resources will be included in the regional transmission planning process; and (3) the role of Transmission Owners in proposing transmission upgrades in the regional planning process.8 In a subsequent order addressing SPP’s RTO status, the Commission indicated that the RSC has “primary responsibility” and “can direct an action of SPP” in the areas specified in the February 10, 2004 Order.9

SPP adopted the requirements of the February 10, 2004 Order verbatim in Section 7.2 of its Bylaws, which states

As the RSC reaches decisions on the methodology that will be used to address any of these issues, SPP will file this methodology pursuant to Section 205 of the Federal Power Act. However, nothing in this section prohibits SPP from filing its own related proposal(s) pursuant to Section 205 of the Federal Power Act.10

C. SPP’s Existing Cost Allocation Methodology

As indicated above, cost recovery for new transmission facilities is set forth in Attachment J of the SPP Tariff. SPP currently allocates costs for Network Upgrades in several ways, based primarily on the function the upgrade was constructed to fulfill (i.e., reliability, economics, generator interconnection, Transmission Service).

Under Section III of Attachment J, the costs of Base Plan Upgrades11 are allocated as follows: one-third of the costs are allocated across the SPP Region on a

7  Id. at P 219.
8  Id. at P 220.
10  Bylaws § 7.2.
11  Base Plan Upgrades are defined as

   [t]hose Upgrades included in and constructed pursuant to the SPP Transmission Expansion Plan in order to ensure the reliability of the Transmission System. Base Plan

(continued . . .)
postage-stamp basis, and the other two-thirds are allocated to the pricing Zones based on each Zone’s share of the incremental positive MW-mile benefits as computed by SPP. Base Plan Upgrades that cost $100,000 or less are allocated to the Zone in which the Base Plan Upgrade is located. For Base Plan Upgrades that are associated with wind generation resources, costs are allocated one-third regionally and two-thirds zonally (using the MW-mile analysis) when the Base Plan Upgrade is located in the same Zone as the Transmission Customer’s Point of Delivery. However, when the Base Plan Upgrade that is associated with a wind generation resource is located in a different Zone than the Transmission Customer’s Point of Delivery, two-thirds of the costs of the upgrade are allocated regionally, with the remaining one-third allocated to the Transmission Customer.

Additionally, Section IV of Attachment J provides 100% regional cost allocation for economic upgrades that are part of a Balanced Portfolio. Under the Balanced Portfolio approach, SPP evaluates a portfolio of economic upgrades to achieve a balance where the benefits of the portfolio to each Zone (as measured by adjusted production costs) equals or exceeds the costs allocated to each Zone over a ten-year period. Where necessary, SPP will include costs associated with reliability upgrades or existing facilities that are allocated zonally to achieve a balance among all SPP Zones.

Upgrades related to generator interconnection and Service Upgrades related to Transmission Service requests that do not meet the conditions for Base Plan Funding in Attachment J are allocated to requesting customers in accordance with Attachments V.

(…continued)

Upgrades shall also include those Service Upgrades required for new or changed Designated Resources to the extent allowed for in Attachment J to this Tariff.

Tariff § 1.3g. Attachment J lists conditions for Service Upgrades to be classified as Base Plan Upgrades. Tariff at Attachment J § III.B.

12 Id. § III.A.3.
13 Id. § III.A.4. This cost allocation methodology for upgrades associated with wind resources was accepted by the Commission on June 18, 2009. Sw. Power Pool, Inc., 127 FERC ¶ 61,283 (2009) (“Wind Cost Allocation Order”).
14 Tariff at Attachment J § IV.A.
15 See supra note 11.
16 Tariff at Attachment V § 4.2.5.
and Z1\(^{17}\) of the SPP Tariff, respectively (generally on a pro-rata basis).\(^{18}\) Zonal Reliability Upgrades are allocated to the applicable Zone.\(^{19}\)

**D. Unintended Consequences Review**

In originally adopting its Base Plan Funding cost allocation methodology, SPP adopted Tariff language requiring it to review the reasonableness of the Base Plan Upgrade regional and zonal cost allocation factors at least once every five years, or more frequently if SPP or the RSC believes that circumstances warrant a review.\(^{20}\) Additionally, for each STEP, SPP must calculate the cost allocation impacts of Base Plan Upgrades to each Transmission Customer within the SPP Region, with the results of this analysis reviewed by the SPP Regional Tariff Working Group (“RTWG”)\(^{21}\) for any unintended consequences.\(^{22}\)

Since the adoption of these requirements, SPP and its stakeholders have endeavored to ensure that transmission cost allocation does not result in unintended negative cost consequences to customers. Beginning with the 2006 STEP, SPP and the RTWG have conducted annual analyses of Base Plan Upgrade cost allocation impacts to each Transmission Customer as required by Attachment J, and SPP has submitted regular reports to the Commission reporting on the results of these analyses,\(^{23}\) as the Commission

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\(^{17}\) *Id.* at Attachment Z1 § IV.

\(^{18}\) *Id.* at Attachment J §§ V.B - V.C.

\(^{19}\) *Id.* § V.D. Zonal Reliability Upgrades are defined as “Those upgrades included in and constructed pursuant to the SPP Transmission Expansion Plan in order to ensure the reliability of the Transmission System identified because of application of a Transmission Owner’s company-specific planning criteria.” Tariff § 1.50a.

\(^{20}\) *Id.* at Attachment J § III.D.1.

\(^{21}\) The RTWG is responsible for development, recommendation, overall implementation, and oversight of SPP’s Tariff. The RTWG also advises SPP staff on regulatory and implementation issues not specifically covered by the Tariff or issues where there may be conflicts or differing interpretations of the Tariff.

\(^{22}\) *Id.* § III.D.2.

directed.  SPP has also taken action when unintended consequences are discovered. For example, when a review of the 2006 STEP revealed unintended consequences resulting from the use of a “net change” MW-mile cost allocation analysis, SPP and its stakeholders promptly revised its zonal cost allocation to implement a “sum of positive impact” MW-mile allocation methodology to remedy the problem, and SPP filed the change for Commission approval.

Finally, through the SPPT process and the submission of this Highway/Byway cost allocation methodology, SPP has complied with the current requirement in Attachment J to perform a review of its allocation factors at least once every five years, as discussed above.

E. Summary of New Cost Allocation Methodology

As discussed in more detail below and in Mr. Dillahunty’s attached Prepared Direct Testimony, SPP is proposing to adopt a new Highway/Byway methodology to provide 100% regional cost allocation for EHV Base Plan Upgrades, because they tend to provide benefits to the entire SPP Region. Specifically, the Highway/Byway methodology allocates costs based on the voltage of the upgrade, as follows: (1) facilities operating at 300 kV and above will be allocated 100% across the SPP Region; (2) facilities operating above 100 kV and below 300 kV will be allocated one-third regionally and two-thirds zonally; and (3) facilities operating at or below 100 kV will be allocated 100% zonally.

SPP proposes to adopt the Highway/Byway methodology for all Base Plan Upgrades for which SPP issues a Notification to Construct after June 19, 2010,


26 SPP issues Notifications to Construct pursuant to Section VIII.4 of Attachment O after a new transmission project is either approved for construction under the STEP or is required to provide service pursuant to a Service Agreement. Tariff at Attachment O § VIII.4.
including any high priority upgrades approved for inclusion in the STEP by the SPP Board of Directors, and Base Plan Upgrades associated with wind generation facilities. The Highway/Byway methodology will not apply to upgrades identified in SPP’s generator interconnection process or Service Upgrades identified through SPP’s Aggregate Transmission Service Study process that do not qualify as Base Plan Upgrades.

F. SPP Stakeholder Process to Develop Highway/Byway Methodology

As discussed in more detail in Mr. Dillahunty’s testimony, cost allocation in the SPP Region has evolved from participant funding and zonal methodology focusing on reliability impacts, to an approach that recognizes the regional benefits of an integrated transmission plan addressing both reliability and economic needs in the SPP Region and allocating costs accordingly. To develop the cost allocation approach proposed in this filing, SPP has engaged a thorough stakeholder process, including establishing a stakeholder team to recommend transformative changes to regional planning and cost allocation and engaging stakeholder groups at all levels of the stakeholder process.

1. SPPT and RSC

In January 2009, in response to SPP annual stakeholder surveys from previous years and anticipated changes in federal energy policy, the SPP Board of Directors established the SPPT to recommend improvements to SPP’s regional transmission planning process and cost allocation methodology. On April 23, 2009, the SPPT issued a report and recommendations for reforming SPP’s transmission planning and cost allocation.

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27 A high priority upgrade is an economic upgrade recommended by SPP for inclusion in the STEP based on the results of a high priority study requested by SPP stakeholders. See id. § IV.3.

28 Exhibit No. SPP-1 at 5-6.

29 As explained in Mr. Dillahunty’s testimony, 300 kV and above Base Plan Upgrades associated with wind generation resources will be allocated 100% regionally. See id. at 7-9.

30 Mr. Dillahunty’s testimony provides a detailed history of cost allocation and the efforts of the RSC and its Cost Allocation Working Group (“CAWG”) to develop regional cost allocation. See id. at 10-16.

allocation processes, including, among other things, adopting the ITP process, establishing a Highway/Byway cost allocation methodology for the SPP Region, and identifying and recommending a list of “Priority Projects” within six months for approval by the Board of Directors.

In making its recommendations, the SPPT observed that SPP’s current process has resulted in numerous cost allocation methodologies. Approved SPP transmission rates consist of the zonal rates; a regional rate and MW-mile rate under the Base Plan Funding mechanism; a postage-stamp rate for the Balanced Portfolio projects; and the possibility of yet another cost allocation method for an EHV Overlay system. SPP members and staff have expressed concern that these cost recovery methods are fragmented, confusing, and difficult to administer as it requires a complex system to track cost by project over the life of the project. The SPPT recommends expanding and including a comprehensive review of all cost allocation methodologies for possible consolidation under a unified system using the recommended “highway-byway” approach.

The SPPT considered several cost allocation approaches including license plate/zonal rates, direct assignment/beneficiary pays, and full regional postage-stamp, but concluded that a Highway/Byway approach was the most appropriate for SPP. The RSC unanimously endorsed the SPPT Report on April 27, 2009, and on April 28, 2009, the

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32 SPP and its stakeholders are in the process of developing final Tariff language to implement the ITP process. SPP plans to submit a filing proposing its ITP process sometime in mid-May 2010, following a special May 6, 2010 MOPC meeting and a special meeting of the SPP Board of Directors.

33 SPPT Report at 1-2; Exhibit No. SPP-1 at 18.

34 SPPT Report at 13.

35 Id. at 13-15.

SPP Members Committee\textsuperscript{37} voted unanimously in favor, and the Board of Directors adopted the SPPT Report.\textsuperscript{38}

The RSC and CAWG met frequently from April through October 2009 to develop a Highway/Byway cost allocation proposal following the SPPT’s recommendations. The CAWG recommended to the RSC a cost allocation methodology that would apply to new transmission facilities, providing 100% regional cost allocation to “Highway” facilities operating at voltages of 300 kV and above, partial regional (one-third) and partial zonal (two-thirds) cost allocation for “Byway” facilities operating at voltage levels above 100 kV and below 300 kV, 100% zonal allocation to local facilities operating at or below 100 kV, and elimination of the existing MW-mile analysis used to determine zonal cost allocation. On October 26, 2009, the RSC approved the CAWG’s recommendation for a Highway/Byway methodology with one Member voting no.\textsuperscript{39}

In accordance with Section 7.2 of its Bylaws, SPP is filing the cost allocation methodology approved by the RSC.\textsuperscript{40}

2. \textit{Stakeholder Development of Tariff Language to Implement Highway/Byway}

Based on the policy directives of the RSC, the RTWG met frequently from November 2009 through February 2010 to develop Tariff language to implement the Highway/Byway methodology, approving revisions to the SPP Tariff by a vote of 12-3 on February 19, 2010. The SPP Markets and Operations Policy Committee (“MOPC”)\textsuperscript{41}

\textsuperscript{37} The Members Committee consists of up to 19 representatives of the Transmission Owning Member and Transmission Using Member sectors of SPP’s Membership. This committee provides input to and assists SPP’s Board of Directors with the management and direction of the general business of SPP. See Bylaws § Section 5.1.

\textsuperscript{38} Southwest Power Pool, Board of Directors/Members Committee Meeting Minutes, Minutes No. 124, at 8 (Apr. 28, 2009), \textit{available at} http://www.spp.org/publications/BOD042809-REVISEDpdf.pdf.

\textsuperscript{39} Southwest Power Pool, Regional State Committee Minutes at 3 (Oct. 26, 2009), \textit{available at} http://www.spp.org/publications/RSC102609.pdf.

\textsuperscript{40} \textit{See supra} note 10 and accompanying text.

\textsuperscript{41} The MOPC consists of a representative officer or employee from each SPP Member and reports to the SPP Board of Directors. Its responsibilities include recommending modifications to the SPP Tariff. See Bylaws § 6.1.
reviewed the RTWG’s proposed Tariff revisions on March 2, 2010. Despite 64% of MOPC Members voting in favor of the proposal, the MOPC failed to approve the Tariff revisions under its super-majority voting requirement.\footnote{Pursuant to Section 3.9.1 of SPP’s Bylaws, each SPP membership sector (Transmission Owning Members and Transmission Using Members) votes separately, with the result for that sector being a percent of approving votes to the total number of Members voting. An action is approved by the MOPC if the average of the two sector vote percentages is at least 66%. \textit{Id.} § 3.9.1.} The MOPC instead recommended that the RTWG and SPP staff present the proposed Tariff language to the Board of Directors, along with a summary of the MOPC discussion.

On March 31, 2010, the SPP Board of Directors and Members Committee held a special meeting to consider the Highway/Byway proposal. The RTWG presented its Highway/Byway cost allocation language representing the position of the majority of the RTWG Members along with substantial justification for the majority position, SPP staff presented an alternative proposal regarding enhanced unintended consequences review from what was adopted by the RTWG, and opponents of the RTWG proposal presented a “compromise position” advocating an alternative cost allocation methodology.

The Members Committee voted 12-2 (with no abstentions) in favor of the RTWG proposal with the SPP staff alternative language, and the Board of Directors approved the RTWG and SPP staff proposals. The Board of Directors directed SPP staff to file the RSC Highway/Byway proposal pursuant to Section 7.2 of the Bylaws, and declined to direct SPP to file an alternative proposal as permitted by Section 7.2.\footnote{See supra note 10 and accompanying text.} The Board of Directors also provided the RTWG and MOPC an opportunity to refine the Tariff language to address periodic review of the cost allocation methodology and factors for unintended consequences to Members and customers, by April 16, 2010. The RTWG approved revisions to the Board-approved unintended consequences Tariff language on April 6, 2010 by a vote of 9-6 with 3 abstentions; however, on April 13, 2010, the MOPC voted against adopting the RTWG revisions by a vote of 19 in favor of the RTWG revisions and 20 opposed, with 7 abstentions. As a result, the revisions approved by the Board of Directors on March 31, 2010, including the revisions to adopt a more rigorous unintended consequences review, are included in this filing without any additional refinement by the RTWG and MOPC.
Clean and redlined Tariff sheets reflecting the stakeholder-approved Highway Byway revisions are attached as Exhibit Nos. SPP-2 and SPP-3, respectively. While SPP recognizes that stakeholder approval does not by itself cause a filing to be just and reasonable and acknowledges that a significant minority of its stakeholders oppose the cost allocation proposal set forth in this filing, SPP requests that the Commission extend appropriate deference to the wishes of a majority of its stakeholders and the directives of the RSC, consistent with Commission precedent.

III. DESCRIPTION OF AND JUSTIFICATION FOR FILING

A. Justifications for the Highway/Byway Methodology

The Highway/Byway methodology is based on the Commission’s core cost causation principles; namely, those who benefit from new transmission facilities should pay the costs of building the facilities. Large scale, EHV facilities tend to provide benefits across a wider region, while smaller facilities benefit more discrete areas within that region. Moreover, influenced by the realities of an integrated network and the Commission has previously recognized that provisions approved through the stakeholder processes of RTOs and ISOs are due deference. See Sw. Power Pool, Inc., 127 FERC ¶ 61,283, at P 33 (2009) (noting that the Commission “accord[s] an appropriate degree of deference to RTO stakeholder processes”); New Eng. Power Pool, 105 FERC ¶ 61,300, at P 34 (2003), reh’g denied, 109 FERC ¶ 61,252 (2004) (Commission approval of transmission cost allocation proposal based upon an extensive and thorough stakeholder process); Policy Statement Regarding Regional Transmission Groups, 1991-1996 FERC Stats. & Regs., Regs. Preambles ¶ 30,976, at 30,872 (1993) (the Commission will afford an appropriate degree of deference to the stakeholder approval process). The Commission’s deference to RTO stakeholder processes has been upheld by the courts. See Pub. Serv. Comm’n of Wis. v. FERC, 545 F.3d 1058, 1062-63 (D.C. Cir. 2008) (noting that the Commission often gives weight to RTO proposals that reflect the position of the majority of the RTO’s stakeholders) (quoting Am. Elec. Power Serv. Corp. v. Midwest Indep. Transmission Sys. Operator, Inc., 122 FERC ¶ 61,083, at P 172, reh’g denied, 125 FERC ¶ 61,341 (2008)).

The Commission and the courts have long held that, given the integrated nature of a transmission system, rolled-in treatment for transmission upgrades is appropriate. See, e.g., Maine Public Service Co. v. FERC, 964 F.2d 5, 8-10 (D.C. Cir. 1992); Northeast Utilities Service Co., 60 FERC ¶ 61,012 (1992), on remand from City of Holyoke Gas and Elec. Dept. v. FERC, 954 F.2d 740, 742-43 (D.C. (continued . . . )
Commission policy such as Order No. 890,47 transmission system planning in SPP has evolved from a utility-by-utility approach focusing primarily on maintaining reliability at the local level to a region-wide approach to the development of a robust transmission system that is required to take into account not only reliability issues, but economic opportunities facilitated by reduced congestion, as well as state and federal policy goals such as increased use of renewable energy resources, greater incorporation of demand response and energy efficiency technologies, and reduced carbon dioxide emissions. Guided by these principles, the RSC developed the Highway/Byway proposal to govern future transmission cost allocation in the SPP Region.

In response to the changing needs of the SPP Region, SPP and its stakeholders also are developing the Tariff revisions necessary to implement the ITP process, which will be submitted in a separate filing in the near future. The ITP process will involve a three-year planning cycle during which SPP will study its transmission system needs over near-term (4-year), mid-term (10-year), and long-term (20-year) periods to identify the transmission facilities necessary to create a robust transmission system to meet the reliability and economic needs of the region. The ultimate goal of the ITP process is to develop, to the extent reasonably practical, a demonstrable correlation between the actual allocation of costs and the benefits received over time. The Highway/Byway cost allocation methodology is a necessary adjunct to a regional transmission planning approach, providing appropriate cost allocation by focusing on cost effectiveness to encourage the development of EHV facilities that provide benefits to the entire SPP Region.

(. . . continued)

In its 2009 report, the SPPT identified several goals for the ITP based on the evolving needs of the SPP Region, including (among other things): (1) integrating west to east portions of the SPP grid to enable renewable resources located primarily in the west to reach load centers located mostly in the east; (2) providing support for the Aggregate Transmission Service Study process; (3) providing relief to the generation interconnection queue; and (4) relieving known congestion. To transition to the ITP process, the SPPT also recommended that SPP evaluate and recommend to the RSC a list of “Priority Projects” for approval by the Board of Directors. These Priority Projects will be allocated using the Highway/Byway method in the same manner as projects resulting from the ITP process. In adopting the Highway/Byway approach, the RSC recognized the necessity of coupling a comprehensive regional transmission planning process with regional cost allocation that appropriately reflects the benefits and costs of new transmission facilities.

Adopting a Highway/Byway regional cost allocation methodology based on voltage levels is just and reasonable, as demonstrated by several studies SPP conducted in developing the Highway/Byway proposal. As Mr. Dillahunty testifies, SPP performed a series of subjective and objective analyses to assess the regional and local impact and usage of transmission facilities operating at various voltage levels. Each of these studies supports broad, region-wide cost allocation for high voltage facilities.

As Mr. Dillahunty discusses, SPP conducted a Transmission Distribution Analysis to determine which types of facilities are used mostly for regional flows and therefore fulfill more of a Highway function on an integrated transmission network, and which types of facilities are used more at the local level. The Transmission Distribution Analysis assesses the responsiveness of different facilities to power transfers among SPP Zones as indicated by the impact of the illustrative transactions on the facilities included in the analysis. SPP performed the analysis using five EHV facilities included in an SPP Balanced Portfolio, existing 345 kV facilities in the SPP system, and existing SPP facilities operating at 138 kV, 115 kV, and 69 kV. This analysis, using a selected cut-off, indicated that EHV facilities were far more responsive to inter-zonal flows (98% for the Balanced Portfolio EHV facilities and 77% for existing SPP EHV facilities) than were lower voltage facilities (38% for the 115 – 138 kV facilities and 14%...
for the existing 69 kV facilities). SPP found similar results when analyzing a series of through transactions. The Transmission Distribution Analysis demonstrates that higher voltage facilities contribute 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.

Mr. Dillahunty also describes SPP’s Injection Withdrawal Transmission Utilization Analysis (“Injection/Withdrawal Analysis”), which estimates the proportion of local utilization versus other utilization of EHV facilities in the SPP Region. The Injection/Withdrawal Analysis simulates market-based economic dispatch of generating units using the SPP system topology as committed through 2019 (including the five Balanced Portfolio EHV projects used in the Transmission Distribution Analysis) for the summer, spring, and winter peak hours of 2019, and assesses the degree to which EHV transmission facilities facilitate regional flows during the three dispatch hours. From this analysis, SPP determined that the total average percentage of regional usage of the EHV facilities studied was 78%. While the percentages vary based on the facilities and time period studied (i.e., 85% regional usage of EHV facilities during spring peak, 83% regional usage during summer peak, and 65% regional usage during winter peak), the Injection/Withdrawal Analysis supports the conclusion that EHV facilities primarily fulfill a regional function.

The Transmission Distribution and Injection/Withdrawal Analyses demonstrate that EHV facilities are used predominantly for inter-zonal, regional purposes, while lower voltage facilities contribute more to local needs. This result is even more conclusive when viewing the study results for the five Balanced Portfolio EHV facilities, which were designed specifically with regional goals in mind. It is therefore just and reasonable to adopt a cost allocation methodology based on voltage level, with broader regional cost allocation for higher voltage facilities and greater local contribution to costs associated with lower voltage facilities.

52 Id.
53 Id. at 38-39.
54 Id. at 40-41.
55 Id. at 40.
56 Id. at 41.
57 See id. at 37 (summarizing study results indicating up to 98% regional usage for the Balanced Portfolio EHV facilities studied).
While none of the studies SPP conducted demonstrated a 100% regional use of EHV facilities or 100% local use of low voltage facilities, the RSC-adopted Highway/Byway methodology is nonetheless just and reasonable. First, adopting brightline voltage levels for cost allocation provides cost certainty to customers and transmission builders and promotes administrative efficiency for SPP. Additionally, the Highway/Byway methodology recognizes that high voltage facilities are more efficient than low voltage facilities for transmitting electricity over long distances and EHV facilities are utilized more for regional flows than are lower voltage facilities, as demonstrated by the studies discussed above and in Mr. Dillahunty’s testimony.

Moreover, the Commission and the courts have recognized that cost allocation is not an exact science where costs and benefits are allocated with exacting precision. The U.S. Supreme Court has stated that “allocation of costs is not a matter for the slide-rule. It involves judgment on a myriad of facts. It has no claim to an exact science.” The courts also repeatedly have summarized the Commission’s cost causation principle as requiring that “rates reflect to some degree the costs actually caused by the customer who must pay them.” SPP’s Highway/Byway cost allocation proposal satisfies the Commission’s cost causation principles not only because of the predominant regional use of EHV facilities and predominant local use of lower voltage facilities as demonstrated by the Transmission Distribution and Injection/Withdrawal Analyses described above, but also because of the less tangible and measurable regional benefits of EHV facilities described by Mr. Dillahunty, such as promoting regional reliability and stability, transmission system unloading, congestion relief, and facilitation of public policy goals.

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58 As noted above, supra note 34 and accompanying text, the SPPT Report identified the complexity of SPP’s current cost allocation methodology, including the MW-mile analysis. The brightline Highway/Byway approach eases the complexity by eliminating the MW-mile component, and therefore alleviates some of the administrative burden of the existing cost allocation system.

59 See Midwest ISO Transmission Owners v. FERC, 373 F.3d 1361, 1368-69 (D.C. Cir. 2004) (“Also not surprisingly, we have never required a ratemaking agency to allocate costs with exacting precision.”); Sithe/Independence Power Partners, L.P. v. FERC, 285 F.3d 1, 5 (D.C. Cir. 2002) (“FERC is not bound to reject any rate mechanism that tracks the cost-causation principle less than perfectly.”).

60 Colorado Interstate Gas Co. v. FPC, 324 U.S. 581, 589 (1945).


62 Mr. Dillahunty explains in his testimony how congestion across a single flowgate can have wide impacts across a broad area in the SPP Region. See Exhibit No. (continued . . .)
such as increasing use of renewable energy resources. EHV facilities also promote greater access to a wider array of generation resources for multiple load centers, which enhances fuel diversity for the entire SPP Region and further justifies regional cost allocation for such facilities.

In its recent remand of the Commission’s orders accepting PJM Interconnection, L.L.C.’s (“PJM”) postage-stamp rate for EHV facilities, the Court of Appeals for the Seventh Circuit recognized that cost allocation is not a precise exercise, but remanded the PJM cost allocation approach not because it was demonstrated to be unjust and unreasonable, but because the Commission failed to demonstrate sufficiently that its decision to approve the PJM method was a reasoned decision based upon substantial evidence in the record. The Commission on remand has initiated a paper hearing to gather evidence to determine whether PJM’s postage-stamp rate is just and reasonable.

In contrast to the PJM case, SPP, through the analyses described in Mr. Dillahunty’s testimony, has presented substantial evidence to support the regional allocation of EHV facilities to support a Commission decision approving the Highway/Byway methodology. Despite the fact that none of SPP’s analyses demonstrate 100% regional use of EHV facilities, even the court in Illinois Commerce Commission recognized that there are certain benefits provided by EHV facilities to the entire region

SPP-1 at 33-35. Therefore, alleviating congestion in one SPP Zone through the addition of an EHV upgrade can have a beneficial impact on prices in other parts of the region, further lending support to regional cost allocation for such upgrades.

63 See, e.g., id. at 45.
64 Id.
65 Ill. Commerce Comm’n v. FERC, 576 F.3d 470, 477 (7th Cir. 2009) (“We do not suggest that the Commission has to calculate benefits to the last penny, or for that matter to the last million or ten million or perhaps hundred million dollars.”).
66 Id. at 478.
67 PJM Interconnection, L.L.C., 130 FERC ¶ 61,052, order on reh’g, 130 FERC ¶ 61,233 (2010).
based on the integrated nature of the transmission system.\textsuperscript{68} The court concluded that even if the Commission cannot fully quantify the benefits of EHV facilities, if it

has an articulable and plausible reason to believe that the benefits are at least roughly commensurate with those utilities’ share of total electricity sales in PJM’s region, then fine; the Commission can approve PJM's proposed pricing scheme on that basis. For that matter it can presume that new transmission lines benefit the entire network by reducing the likelihood or severity of outages.\textsuperscript{69}

The analyses discussed above, coupled with the additional less quantifiable benefits summarized by Mr. Dillahunty, provide the Commission with sufficient justification to approve the Highway/Byway methodology.

Moreover, as discussed below, SPP is proposing to adopt additional Tariff provisions to: (1) require review of the Highway/Byway cost allocation methodology and allocation factors at least every three years; (2) authorize the RSC to recommend any adjustments to cost allocation if the unintended consequences review shows an imbalanced cost allocation in one or more Zones; (3) require the MOPC and CAWG to define the analytical methods to be used and suggest adjustments to the RSC and the Board of Directors regarding any imbalance in zonal cost allocation in the SPP Region; and (4) permit any Member company, starting in 2015, to seek relief from the MOPC if it believes that it has been allocated an imbalanced amount of costs under the Highway/Byway methodology. SPP is also proposing to adopt Tariff language detailing how it will assess the costs and benefits of transmission alternatives allocated under the Highway/Byway methodology. These additional provisions will provide added protection that the benefits and costs of new transmission facilities will be subject to significant and rigorous review by both the RSC and SPP over time to prevent any unintended consequences of the Highway/Byway regional cost allocation methodology.

Finally, SPP is cognizant of the fact that the Commission is faced with determining the justness and reasonableness of various cost allocation methodologies across the different RTOs and Independent System Operators (“ISO”). SPP, the RSC, and SPP stakeholders have developed the Highway/Byway methodology to address regional needs as identified in the SPPT Report. While certain cost allocation methods may be just and reasonable for one region, others may be equally just and reasonable in other regions. The Commission has long respected that regional differences exist among

\textsuperscript{68} \textit{Ill. Commerce Comm’n}, 576 F.3d at 477 (“No doubt there will be \textit{some} benefit to the midwestern utilities just because the network \textit{is} a network”) (emphasis in original).

\textsuperscript{69} Id.
the varied RTOs and ISOs and has never mandated a “one-size-fits-all approach” to cost allocation.\textsuperscript{70} The cost allocation methodology proposed in this filing is appropriate for the characteristics and needs of the SPP Region, and therefore is just and reasonable. SPP already applies different cost allocation than its neighbors. Adopting the Highway/Byway methodology should not result in any new seams issues regardless of the cost allocation methodologies adopted by SPP’s neighboring RTOs and other interconnected systems.

\section*{B. Description of Tariff Revisions}

To implement the RSC’s vision for a Highway/Byway cost allocation methodology, SPP proposes several revisions to its Tariff, including revisions to the definition of Base Plan Upgrades, and changes to Attachments H, J, and O. As indicated above, SPP proposes to apply the Highway/Byway methodology to all Base Plan Upgrades for which SPP issues a Notification to Construct after June 19, 2010, including the Priority Projects SPP has identified as interim projects pending implementation of the ITP process.

\subsection*{1. Revisions to Common Service Provisions}

SPP proposes to modify the definition of Base Plan Upgrades in Section 1.3g of the Common Service Provisions of the Tariff to “include high priority upgrades, excluding Balanced Portfolios, that are approved for construction by the SPP Board of Directors.”\textsuperscript{71} This revision, coupled with the revisions to Attachment J discussed below, will provide Highway/Byway cost allocation to the Priority Projects approved by the Board of Directors and future projects that result from high priority studies conducted by SPP at the request of the stakeholders pursuant to Section IV.3 of Attachment O.\textsuperscript{72}

\subsection*{2. Attachment H Revisions}

SPP’s Zonal and Base Plan ATRRs are listed in Attachment H of the SPP Tariff. Because, as discussed above, SPP is retaining its existing cost allocation for facilities already in service and facilities that have already been issued a Notification to Construct,
SPP proposes to revise Attachment H to differentiate between the ATRRs for pre-
Highway/Byway facilities and the ATRRs for projects issued a Notification to Construct
after the date of the Highway/Byway implementation.

Table 1 of Attachment H lists the Zonal ATRR, Base Plan ATRR, and ATRR
Reallocated to Balanced Portfolio Region-wide ATRR for each of the 17 pricing Zones in
SPP. SPP proposes to add a column to the table to list “Base Plan Zonal ATRR after
June 19, 2010” to indicate the Base Plan Zonal ATRR for each Zone attributable to
projects issued a Notification to Construct on or after June 19, 2010 that will receive
Highway/Byway cost allocation treatment. SPP also proposes to revise the text of
Section I (General Requirements) to explain the difference between the existing “Base
Plan Zonal ATRR” column and the new “Base Plan Zonal ATRR after June 19, 2010”
column.

Additionally, Table 2 of Attachment H lists the components of the Region-wide
ATRR used for determining the Region-wide Charge computed under Schedule 11 of the
SPP Tariff. SPP proposes to add a row to Table 2 to differentiate between the Base Plan
Region-wide ATRR for projects issued a Notification to Construct before and after June
19, 2010. SPP also proposes changes to the text of Section I (General Requirements) of
Attachment H to include proper references to the column and row added to Tables 1 and
2, respectively.

These revisions are just and reasonable because they provide greater clarity to
Attachment H by permitting SPP to track the Base Plan Zonal ATRR separately for
projects allocated under the existing Base Plan Funding methodology and projects
allocated under the Highway/Byway methodology.

3. Attachment J Revisions

The majority of Tariff revisions necessary to implement the Highway/Byway
methodology are located in Attachment J. Specifically, SPP proposes several revisions to
Section III (Base Plan Upgrades) of Attachment J to adopt full region-wide cost
allocation for EHV facilities (300 kV and above), partial region-wide allocation for
facilities operating at voltage levels above 100 kV and below 300 kV, and zonal
allocation for facilities operating at or below 100 kV.

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73 See Exhibit No. SPP-3 at Sixteenth Revised Sheet No. 221 – Eighteenth Revised
Sheet No. 221A.

74 See id. at Seventeenth Revised Sheet No. 222.

75 See id. at Sixteenth Revised Sheet No. 221 – Seventeenth Revised Sheet No. 222.
a. Base Plan Upgrades

Section III.A of Attachment J specifies the allocation of eligible Base Plan Upgrade costs. SPP proposes to modify Section III.A.2, which governs general cost allocation for Base Plan Upgrades other than upgrades related to wind generation resources, to include upgrades that are “an approved high priority upgrade” to provide Highway/Byway cost allocation to high priority upgrades as discussed above.76 SPP also proposes to revise the Base Plan Upgrade cost allocation methodology set forth in Section III.A.2.i to provide that: (1) 33% of the costs associated with an upgrade issued a Notification to Construct prior to June 19, 2010 or an upgrade operating above 100 kV and below 300 kV are allocated to the Base Plan Region-wide ATRR; (2) for all other Base Plan Upgrades with a nominal operating voltage of 300 kV or above are allocated 100% to the Base Plan Region-wide ATRR; and (3) all other Base Plan Upgrades operating at or below 100 kV are allocated zonally.77 Additionally, Section III.A.2ii is being revised to provide that, for existing Base Plan Upgrades (i.e., upgrades issued a Notification to Construct prior to June 19, 2010), the Base Plan Zonal ATRR is calculated using a MW-mile methodology,78 and for all other Base Plan Upgrades (i.e., upgrades issued a Notification to Construct on or after June 19, 2010), the zonal component of the upgrade’s costs will be allocated solely to the Base Plan Zonal ATRR for the Zone in which the upgrade is located.79 The revisions also eliminate the MW-mile analysis for new facilities.

76 See id. at Fourth Revised Sheet No. 227.

77 See id. at Fourth Revised Sheet No. 227.

78 The MW-mile benefits of an upgrade are calculated in accordance with Attachment S of the SPP Tariff. Under the current language in Attachment J, each Zone with a benefit of at least 10 MW-miles from a given Base Plan Upgrade is allocated a portion of the Base Plan Zonal ATRR for the Base Plan Upgrade based on its incremental positive MW-mile benefit divided by the sum of the incremental positive MW-mile benefits for all of the Zones with a benefit of at least 10 MW-miles from the upgrade. SPP is not changing this methodology for existing facilities, but is proposing to eliminate a MW-mile analysis for new upgrades under the Highway/Byway approach.

79 See id. at Original Sheet No. 227.01.
b. Base Plan Upgrades Associated with Wind Resources

The Highway/Byway proposal also modifies cost allocation for Base Plan Upgrades associated with a Designated Resource\(^80\) that is a wind generation plant. Currently, Base Plan Upgrades that are associated with wind resources and that are located within the same Zone as the Transmission Customer’s Point of Delivery receive 33% regional allocation, with the remaining 67% allocated to Zonal ATRR(s) based on the MW-mile analysis. SPP is not proposing any changes to this method for existing upgrades (i.e., upgrades issued a Notification to Construct prior to June 19, 2010). However, for facilities located in the same Zone as the Point of Delivery that were issued a Notification to Construct after June 19, 2010, SPP will follow the same Highway/Byway cost allocation discussed in Section II.A.3.a above (i.e., 100% regional for 300 kV and above facilities, 33% regional and 67% zonal allocation for facilities operating below 300 kV and greater than 100 kV, 100% zonal allocation for facilities operating at or below 100 kV) and will eliminate the MW-mile calculation for new facilities. SPP has proposed revisions to Sections III.A.3.i and .ii of Attachment J similar to the proposed revisions Section III.A.2 described above to reflect this new cost allocation.\(^81\)

Additionally, for Base Plan Upgrades that are associated with Designated Resources that are wind generation resources where the upgrade is located in a different Zone than the Point of Delivery, SPP’s current cost allocation language provides for 67% of the costs of the upgrade to be allocated to the Base Plan Region-wide ATRR, with the remaining 33% allocated zonally on a MW-mile basis. This allocation methodology was proposed by SPP on April 24, 2009\(^82\) to accommodate cost allocation for upgrades that were built to bring remote wind power to load centers, and was accepted by the Commission on June 18, 2009.\(^83\)

\(^80\) A Designated Resource is “[a]ny designated generation resource owned, purchased or leased by a Transmission Customer to serve load in the SPP Region. Designated Resources do not include any resource, or any portion thereof, that is committed for sale to third parties or otherwise cannot be called upon to meet the Transmission Customer’s load on a non-interruptible basis.” Tariff § 1.9a.

\(^81\) See Exhibit No. SPP-3 at First Revised Sheet No. 227A.

\(^82\) See supra note 13.

The Highway/Byway proposal maintains accommodating cost allocation for Base Plan Upgrades that are associated with wind resources and that are located in a different Zone than the Point of Delivery. First, cost allocation remains the same for facilities issued a Notification to Construct prior to June 19, 2010. Additionally, SPP has modified Section III.4 of Attachment J to provide that, for new Base Plan Upgrades operating at or above 300 kV that are associated with wind resources and that are located in a different Zone than the Point of Delivery, 100% of the costs will be allocated to the Base Plan Region-wide ATRR. All other upgrades (including those operating at or below 100 kV) will receive 67% regional cost allocation (with the remaining 33% allocated to the Transmission Customer). Therefore, all new facilities built to deliver wind power to load located in different Zones will continue to receive some regional cost treatment.

These revisions are just and reasonable because they continue SPP’s Commission-approved practice of providing accommodating cost allocation for upgrades designated to serve wind resources, recognize the regional characteristics of upgrades built to deliver remote wind power to load centers in other parts of the SPP Region, and allocate costs appropriately to all beneficiaries.

c. Unintended Consequences Revisions

As discussed above, Section III.D of Attachment J requires SPP to review the reasonableness of the regional and zonal allocation factors at least once every five years. During the RTWG discussions to develop the Tariff revisions necessary to implement the Highway/Byway cost allocation methodology, some Members expressed concerns about moving to greater regional cost allocation, and requested that SPP and the RSC consider adopting more frequent review of the allocation factors to protect against unintended consequences. SPP has adopted several revisions to Section III.D to provide more frequent review.

Specifically, SPP has revised Section III.D to require review of not only the allocation factors, but the regional allocation methodology, and to require review at least every three years rather than five years. SPP is also proposing to revise the language governing its review of the unintended consequences of the cost allocation of Base Plan Upgrades to each pricing Zone within the SPP Region to include more detail. SPP will

84 See Exhibit No. SPP-3 at Original Sheet No. 227B.01.
85 See id.
86 See supra notes 20 and 22 and accompanying text.
87 See Exhibit No. SPP-3 at Second Revised Sheet No. 232.
share the results of its review with the RTWG, MOPC, and RSC, and will publish the results on its website.\footnote{See \textit{id.} at Third Revised Sheet No. 233.} SPP will also request that the RSC provide any recommendations to adjust cost allocations if the results of the analysis show an imbalanced cost allocation in one or more Zones.\footnote{See \textit{id.}} SPP also proposes other revisions to Attachment J to allow Member companies (beginning in 2015) that believe they have been allocated an imbalanced portion of costs to seek relief from the MOPC.\footnote{See \textit{id.} at Third Revised Sheet No. 233 – Original Sheet No. 233.01.} Finally, SPP proposes several changes to Attachment O (discussed below) to enhance its unintended consequences review.

These revisions are just and reasonable because they will require SPP to review its cost allocation methodology more frequently to ensure that it remains appropriate and allocates costs and benefits properly across all Zones over time. The revisions also provide for more rigorous unintended consequences review than is presently conducted under SPP’s current Commission-accepted Attachment J.

d. Base Plan Upgrades Operating at Two Different Voltages

As discussed above, SPP’s Highway/Byway cost allocation methodology determines regional and zonal costs based upon the nominal operating voltage of the Base Plan Upgrade. However, because certain upgrades (e.g., transformer equipment) operate at two different voltages, the RTWG had to design a cost allocation method to take such facilities into account, and decided to allocate costs based on the lower operating voltage. Therefore, SPP proposes to revise the preamble to Section III of Attachment J to state that a

\begin{quote}
load carrying element within a Base Plan Upgrade that is connected at two different voltage levels (e.g. a 345kV/138kV transformer) shall, for the purposes of this Attachment J, be considered to have a nominal operating voltage of its lower voltage level (excluding any tertiary windings) and its costs shall be allocated in accordance with the rules governing the lower voltage level in this Attachment J.\footnote{See \textit{id.} at Fourth Revised Sheet No. 226.}
\end{quote}

This revision adopts the decision of the RTWG to allocate transformers and similar dual-voltage facilities at the lower voltage level.
4. Attachment O Revisions

As indicated above, SPP’s transmission planning process is outlined in Attachment O of the SPP Tariff. SPP proposes several changes to Attachment O to implement the Highway/Byway methodology and maintain consistency with Attachment J.

In order to provide Highway/Byway cost treatment to economic upgrades that are identified through high priority studies, but not included in Balanced Portfolios, SPP proposes several revisions to adopt high priority upgrades as part of the transmission planning process. In the preamble to Attachment O, SPP proposes to include “upgrades that are identified through the high priority study process (high priority upgrades) that are not included in a Balanced Portfolio” to the list of transmission facilities that are included in the SPP planning process.\(^92\) SPP also revises other sections that list the types of projects involved in the various phases of the planning process,\(^93\) and revises the flowchart in the preamble to Attachment O depicting the “Annual Transmission Planning Process” to remove the word “Reliability” from the description of projects approved by the Board of Directors under Section VII (“The SPP Transmission Expansion Plan”) of Attachment O.\(^94\)

Additionally, SPP proposes to modify sections of Attachment O addressing how high priority upgrades will be incorporated into the study and planning processes. First, SPP proposes to modify Section IV.3, which governs the high priority study process for economic upgrades, by adding a new subsection (h) indicating that SPP “may recommend, based on the results of a high priority study, a high priority upgrade for inclusion in the STEP in accordance with Section VI.”\(^95\) SPP also proposes revisions to Section VII.1, governing the upgrade approval and endorsement process in the STEP process, to state that the “Markets and Operations Policy Committee shall make a recommendation regarding the approval of a high priority upgrade recommended by the Transmission Provider. Approval by the SPP Board of Directors is required for inclusion of a high priority upgrade in the [STEP].”\(^96\)

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\(^92\) See id. at Third Revised Sheet No. 295.

\(^93\) See id. at Third Revised Sheet No. 300H (adding “high priority upgrades” to the list of project types that are recommended by SPP in the planning process); id. at Second Revised Sheet No. 300I (same); id. at Second Revised Sheet No. 300J (same).

\(^94\) See id. at First Revised Sheet No. 295A.

\(^95\) See id. at First Revised Sheet No. 300C.01.

\(^96\) See id. at First Revised Sheet No. 300I.01.
In addition, as discussed above, SPP is proposing several revisions to Attachment O to address its unintended consequences review required by Attachment J. Specifically, SPP proposes to modify provisions in Section VI.4 of Attachment O governing its “Analysis of Transmission Alternatives to Address Needs Identified in the Reliability Assessment” to require SPP to consider the costs and benefits in selecting potential solutions by requiring:

1. SPP to review of the scope and assumptions of the analysis with the CAWG and Economic Studies Working Group (“ESWG”); 98
2. financial modeling based on a 40-year time frame (with the last 20 years provided by a terminal value);
3. quantification of the benefits from dispatch savings, loss reductions, avoided projects, reductions in carbon emissions, reduction in required operating reserves, interconnection improvements, congestion reduction, and other benefit metrics developed by the ESWG;
4. identification and quantification of the benefits from reliability improvements to the transmission system;
5. inclusion of different scenarios to analyze sensitivities of load forecasts, wind generation levels, fuel prices, carbon prices, and other relevant factors;
6. assessment of both the regional costs and benefits for the SPP Region and the net cost-benefit of each scenario on a zonal and state basis; and
7. assessment of the net impact of the transmission plan developed in accordance with Attachment O on a typical residential customer. 99

These revisions provide significant specificity to the analysis of alternatives and facilitate the process of conducting the unintended consequences review required by Attachment J.

Finally, SPP proposes additional revisions to: (1) indicate that the reliability studies it performs during the planning process will include all upgrades (not just upgrades within approved Balanced Portfolios and Sponsored Upgrades) that have been

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97 See supra notes 87 through 90 and accompanying text.

98 The ESWG advises and assists SPP staff, working groups, and task forces in the development and evaluation principles for economic studies, including ensuring the proper regional data sets and economic methodology, parameters, and metrics to be used in economic studies. The ESWG also provides technical support for the development and application of economic studies and reviews the economic planning processes for adherence with sound economic metrics methods, among other duties.

99 See Exhibit No. SPP-3 at Third Revised Sheet No. 300H.
approved for construction in the STEP;\textsuperscript{100} and (2) to include third-party impacts in the reports SPP publishes for each high priority study.\textsuperscript{101}

IV. ADDITIONAL INFORMATION

A. Information Required by the Commission’s Regulations

(1) Documents submitted with this filing:

In addition to this transmittal letter, the following exhibits are included in this filing:

- Exhibit No. SPP-1 Prepared Direct Testimony of Leslie E. Dillahunty
- Exhibit No. SPP-2 Clean Tariff Sheets
- Exhibit No. SPP-3 Redlined Tariff Sheets
- Exhibit No. SPP-4 Service List

(2) Effective Date:

SPP requests that the Commission accept the proposed revisions to the SPP Tariff effective June 19, 2010, 60 days after filing.

(3) Service:

SPP has served a copy of this filing on all its Members and Customers. A complete copy of this filing will be posted on the SPP web site, www.spp.org, and is also being served on all affected state commissions.

\textsuperscript{100} See id. at First Revised Sheet No. 299A.

\textsuperscript{101} See id. at Third Revised Sheet No. 300C.
(4) **Requisite Agreements:**

These revisions to the SPP Tariff do not require any agreements. However, as discussed above, SPP files cost allocation provisions approved by the RSC, pursuant to Section 7.2 of the SPP Bylaws. The revisions proposed in this filing were approved by the SPP RSC and Board of Directors, as discussed in more detail above.

(5) **Estimate of transactions and revenues:**

Not applicable.

(6) **Basis of rates:**

The basis for the proposed Tariff revisions are explained above.

(7) **Comparison to rates for similar services:**

Not applicable.

(8) **Specifically assignable facilities installed or modified:**

There are none.

**B. Communications**

Correspondence and communications with respect to this filing should be sent to, and SPP requests the Secretary to include on the official service list, the following:

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V. CONCLUSION

For all of the foregoing reasons, SPP respectfully requests that the Commission accept the Tariff revisions proposed herein as just and reasonable, effective as discussed above. SPP further requests a waiver of any additional Commission regulations that the Commission may deem applicable.

Respectfully submitted,

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cc: Penny Murrell
    Michael Donnini
    John Rogers
    Patrick Clarey
    Laura Vallance
EXHIBIT NO. SPP-1

Prepared Direct Testimony of
Mr. Leslie E. Dillahunty
UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Southwest Power Pool, Inc. ) Docket No. ER10-____-000

PREPARED DIRECT TESTIMONY

OF

LESLIE E. DILLAHUNTY
SENIOR VICE PRESIDENT
ENGINEERING AND REGULATORY POLICY
SOUTHWEST POWER POOL, INC.

ON BEHALF OF SOUTHWEST POWER POOL INC.

APRIL 19, 2010
Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Leslie E. Dillahunty. My position is Senior Vice President, Engineering and Regulatory Policy at Southwest Power Pool, Inc. (“SPP”), the Regional Transmission Organization (“RTO”) responsible for planning and operation of the bulk power system in the region comprising all or part of the states of Arkansas, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas, often referred to as the SPP Region. SPP is located in the Plaza West Building at 415 North McKinley, Suite 140, in Little Rock, Arkansas 72205-3020.

Q. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES IN YOUR CURRENT POSITION?

A. My duties include the coordination and oversight of activities in the areas of regulatory policy and engineering. Additionally, I am involved in a number of SPP Committee activities, regulatory and policy matters, as well as other specific project assignments. I also serve as the SPP staff secretary of the SPP Regional State Committee (“RSC”).
Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I am a graduate of Louisiana Tech University holding Bachelor’s and Master’s degrees in Mechanical Engineering. During the period 1971-2002, I held numerous positions within the Southwestern Electric Power Company, its parent company, the Central and South West Corporation, and the merged company, American Electric Power. The bulk of this experience dealt with generation, engineering, fuel procurement, system operations, and environmental affairs. These prior experiences dealt directly with or in an oversight role of many of the functions SPP performs today, such as grid planning and operations. My experience with SPP began as a consultant in 2002, which led to permanent employment in 2003 and ultimately to my present position. I am a Registered Professional Engineer in the states of Louisiana and Texas and have attended a number of advanced management courses.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to summarize and provide justification for a new cost allocation methodology developed by the RSC and SPP stakeholders for future transmission facilities built in the SPP Region. As more fully described below, the proposed new methodology referred to as the Highway/Byway cost allocation methodology allocates cost responsibility for transmission facilities on a regional basis, a combined regional and zonal basis, or a solely zonal basis depending on the voltage level of the facility.

Additionally, the purpose of my testimony is to emphasize that in order to further the defined goals of the SPP Synergistic Planning Project Team (“SPPT”), SPP must
adapt its planning principles and processes, specifically including its cost allocation methodology, to accomplish a broader reaching, bigger picture look at transmission solutions for the SPP Region. To continue its evolution from local transmission solutions to more regional solutions, SPP must also move from a reliability-based, zonally-focused cost allocation methodology to a methodology that more closely focuses on the need for and benefits of regional, higher-voltage solutions and that assigns the costs for those solutions on a regional basis. Regionally-focused transmission solutions need a regionally-focused cost allocation methodology.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. Section I of my testimony summarizes SPP’s proposed Highway/Byway cost allocation methodology. Section II summarizes SPP’s historical approach to cost allocation for transmission facilities. Section III discusses the stakeholder process used to develop the Highway/Byway methodology proposed in this filing and how this new methodology is different from the current transmission facility cost allocation methodology set forth in the SPP Open Access Transmission Tariff (“Tariff”). Section IV discusses the reasons for adopting the Highway/Byway methodology. Section V details the quantitative analyses SPP undertook to develop and support the Highway/Byway methodology. Section VI discusses other benefits from regional transmission expansion to justify the implementation of a 100% regional allocation rate for extra high voltage (“EHV”) transmission facilities.
I. SUMMARY OF PROPOSED HIGHWAY/BYWAY COST ALLOCATION

METHODOLOGY

Q. PLEASE SUMMARIZE THE PROPOSED HIGHWAY/BYWAY METHODOLOGY.

A. In short, the Highway/Byway methodology will result in the costs of future transmission facilities being allocated on a 100% regional basis, a one-third regional and two-thirds zonal basis, or a 100% zonal basis depending on the voltage level of the transmission facility. The objective of this approach is to align cost responsibility for the facility more appropriately with the intended purpose, use, and benefits of the facility. The following chart sets forth the breakdown of the methodology by voltage:

<table>
<thead>
<tr>
<th>Voltage</th>
<th>Regional</th>
<th>Zonal</th>
</tr>
</thead>
<tbody>
<tr>
<td>300 kV and above</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Above 100 kV and below 300 kV</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>100 kV and below</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The proposed Highway/Byway methodology is set forth in Section III of Attachment J of the SPP Tariff, with additional conforming revisions to other sections of the Tariff. Revised Tariff sheets are included as Exhibit Nos. SPP-2 (clean) and SPP-3 (redlined) to this filing.

Q. HOW IS THE HIGHWAY/BYWAY METHODOLOGY DIFFERENT FROM SPP'S CURRENT METHODOLOGY FOR ALLOCATING THE COSTS OF TRANSMISSION FACILITIES?
A. As discussed in greater detail below, SPP’s current cost allocation methodology is based on the function being fulfilled by the transmission facility in question. Specifically, SPP currently employs different cost allocation methodologies based on whether the facility is constructed for reliability purposes, economic purposes, generation interconnection, or to fulfill Transmission Service requests. The Highway/Byway cost allocation methodology proposed by SPP in this filing assigns part or all of the costs of a Base Plan Upgrade either region-wide or zonally based on whether the transmission facility provides regional or local benefits or a combination thereof.

Q. IF THIS PROPOSED HIGHWAY/BYWAY METHODOLOGY IS ACCEPTED, TO WHICH TRANSMISSION FACILITIES WILL THIS NEW METHODOLOGY APPLY?

A. The Highway/Byway methodology will apply to all Base Plan Upgrades that are issued a Notification to Construct after June 19, 2010. Base Plan Upgrades are generally: (1) facilities that are included in and constructed pursuant to the SPP Transmission Expansion Plan (“STEP”) to ensure the reliability of the Transmission System; (2) high priority upgrades, excluding Balanced Portfolios, that are approved for construction by the SPP Board of Directors; and (3) Service Upgrades identified through SPP’s Aggregate Transmission Service Study process that are associated with Designated Resources and meet specified conditions outlined in Section III.B of Attachment J. SPP issues a Notification to Construct pursuant to Section VIII.4 of Attachment O of the SPP Tariff after a new transmission facility is either approved
for construction under the STEP or required to provide service pursuant to a Service Agreement.

Q. DOES THE HIGHWAY/BYWAY METHODOLOGY APPLY TO FACILITIES BUILT TO PROVIDE SERVICE UNDER TRANSMISSION SERVICE AGREEMENTS?

A. Yes, some facilities that are built to provide service under a Service Agreement will receive Highway/Byway cost allocation. Specifically, Service Upgrades that qualify as Base Plan Upgrades will receive Highway/Byway cost allocation. As discussed above, under SPP’s current Base Plan Funding cost allocation methodology, Service Upgrades that are associated with new or changed Designated Resources are classified as Base Plan Upgrades if they meet the conditions specified in Section III.B of Attachment J. SPP is not proposing any changes to the conditions for Service Upgrades to qualify as Base Plan Upgrades. Facilities that do not meet the conditions outlined in Attachment J are allocated pursuant to Attachment Z1 of the SPP Tariff on a pro-rata basis to the Transmission Customers whose service requests necessitate the upgrade.

Q. WILL THE PROPOSED HIGHWAY/BYWAY METHODOLOGY AFFECT THE COST ALLOCATION OF TRANSMISSION FACILITIES IDENTIFIED BY SPP’S GENERATION INTERCONNECTION STUDY PROCESS?

A. No. Because transmission facilities resulting from the generation interconnection process are currently allocated in a different manner than the costs associated with Base Plan Upgrades, cost allocation for facilities identified in the generation interconnection study process will not be determined using the Highway/Byway
methodology. SPP will continue to utilize its existing cost allocation methodology for transmission facilities resulting from the generation interconnection study process, which is set forth in Attachment V of the SPP Tariff, Section 4.2.5. In other words, each Generation Interconnection Customer will continue to be responsible for its pro-rata portion of the cost of any shared Network Upgrades identified in an interconnection Cluster Study, as well as any Network Upgrades that would not be necessary but for the customer’s specific interconnection request, pursuant to Section 4.2.5 and Appendix 11, Article 6 of the Large Generation Interconnection Procedures in Attachment V of the SPP Tariff. However, any new facilities constructed within SPP, specifically the EHV facilities constructed in the SPP Region in the future, will provide substantive relief and support for both the generation interconnection study process and the Aggregate Transmission Service Study process, as I discuss in more detail below.

Q. ATTACHMENT J SECTIONS III.A.3 AND 4 OF THE SPP TARIFF SET FORTH A METHODOLOGY FOR ALLOCATING COSTS OF UPGRADES FOR TRANSMISSION OF WIND GENERATION. WILL THIS METHODOLOGY BE CHANGED BY THE IMPLEMENTATION OF THE HIGHWAY/BYWAY METHODOLOGY?

A. SPP’s existing Commission-accepted (Docket No. ER09-1039) cost allocation methodology designed specifically for wind in Sections III.A.3 and 4 of Attachment J of the SPP Tariff will continue to apply, with revisions to reflect the new voltage levels for the Highway/Byway methodology. Specifically, under the current Attachment J, if a Base Plan Upgrade that is associated with a wind resource is
located within the same Zone as the Transmission Customer’s Point-of-Delivery ("POD"), the regional allocation is 33% of the costs of the Base Plan Upgrade, and if a Base Plan Upgrade that is associated with a wind resource is located within a Zone other than the Transmission Customer’s POD, the regional allocation is 67%. Under the Highway/Byway methodology, if a Base Plan Upgrade that is associated with a wind resource is located within the same Zone as the Transmission Customer’s POD, for Base Plan Upgrades that are less than 300 kV but greater than 100 kV, the regional allocation is 33%, for Base Plan Upgrades 100 kV or less, the regional allocation is 0%, and for Base Plan Upgrades with voltages of 300 kV or above, the regional allocation is 100%. If a Base Plan Upgrade that is associated with a wind resource is located within a Zone other than the Transmission Customer’s POD, for Base Plan Upgrades less than 300 kV, the regional allocation is 67%, and for Base Plan Upgrades with voltages greater than 300 kV, the regional allocation is 100%.

The table below summarizes the proposed cost allocation for wind under the proposed Highway/Byway cost allocation methodology, as discussed above.

<table>
<thead>
<tr>
<th>Voltage</th>
<th>Upgrade in same Zone as Transmission Customer’s POD</th>
<th>Upgrade in a Zone other than Transmission Customer’s POD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regional</td>
<td>Zonal</td>
</tr>
<tr>
<td>300 kV and above</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Above 100 kV and below 300 kV</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>100 kV and below</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*The remaining one-third for less than 300 kV for an upgrade in a Zone other than the Transmission Customer’s POD will be allocated to the Transmission Customer.
Q. WHY IS SPP RETAINING ITS BASIC WIND COST ALLOCATION METHODOLOGY ACCEPTED IN DOCKET NO. ER09-1039?

A. The cost allocation methodology accepted in Docket No. ER09-1039 facilitates the construction of transmission facilities to integrate remote wind generation resources into the SPP grid, which, as discussed below, is a key issue in the SPP Region, particularly given the location-constrained nature of wind resources in the western portion of SPP’s region and the load centers in the east. The methodology adopted in Docket No. ER09-1039, with the proposed Highway/Byway modifications to recognize the regional nature of 300 kV and above facilities, will continue to facilitate the construction of transmission to integrate wind resources into the SPP grid.

Q. IF THE PROPOSED HIGHWAY/BYWAY COST ALLOCATION IS ACCEPTED, WILL THE BALANCED PORTFOLIO PROVISIONS REMAIN IN THE SPP TARIFF?

A. Yes. There are differences between the Balanced Portfolio provisions and the proposed Highway/Byway cost allocation methodology that are significant and important and therefore necessitate both methodologies remaining in the Tariff. The Balanced Portfolio provisions were developed to allow the costs for a group of projects to be allocated on a region-wide basis as long as the group of projects (i.e., the “portfolio”) met certain conditions specified in the Tariff. So long as these conditions are met, the entire portfolio of projects is allocated 100% regionally regardless of the voltage levels of the different projects included in the portfolio. The proposed Highway/Byway cost allocation methodology has voltage level limitations on the regional portion of the cost allocation that do not exist within the Balanced
Portfolio provisions. Therefore, it is possible that SPP would find another set of projects in the future that meet the Balanced Portfolio criteria and that SPP would propose those projects to be allocated under the Balanced Portfolio provisions rather than the Highway/Byway cost allocation methodology.

II. HISTORY OF SPP COST ALLOCATION FOR TRANSMISSION FACILITIES

Q. HOW HAS SPP TRADITIONALLY ADDRESSED COST ALLOCATION FOR TRANSMISSION FACILITIES?

A. Since SPP became a Commission-approved RTO in 2004, see Sw. Power Pool, Inc., 109 FERC ¶ 61,009 (2004), order on reh’g, 110 FERC ¶ 61,137 (2005), SPP’s approach to transmission facility cost allocation has evolved from a completely zonal cost allocation methodology to a methodology that combines zonal and regional cost allocation for reliability and economic transmission upgrades.

Q. PLEASE DESCRIBE THE COST ALLOCATION PROCESS IN THE YEARS BEFORE SPP BECAME AN RTO.

A. Prior to 2005, the costs of new facilities were allocated exclusively to customers in the Zone in which a facility was located. This historic participant funding approach was rooted in the utility-by-utility planning paradigm that was both normal and common before SPP became an RTO. SPP’s recognition as an RTO instituted and emphasized SPP’s responsibility for independent regional transmission planning and
initiated the transition from individual Transmission Owners planning for their individual Zones to coordinated regional planning for the entire SPP Region.

Q. HOW DID COST ALLOCATION FOR TRANSMISSION FACILITIES CHANGE AFTER SPP BECAME AN RTO?

A. In its order conditionally granting SPP’s application for RTO status, the Commission directed SPP to establish the RSC to determine the following:

   (1) Whether and to what extent participant funding will be used for transmission enhancements;

   (2) Whether license plate or postage stamp rates will be used for the regional access charge;

   (3) A Financial Transmission Rights (“FTR”) allocation where a locational price methodology is used;

   (4) The transition mechanism to be used to assure that existing firm customers receive FTRs equivalent to the existing firm customer’s existing firm rights;

   (5) The approach for resource adequacy across the SPP Region;

   (6) Whether transmission upgrades for remote resources will be included in the regional transmission planning process; and

   (7) The role of Transmission Owners in proposing transmission upgrades in the regional planning process.

Q. WHAT STEPS DID THE RSC PERFORM TO FULFILL THE COST ALLOCATION FUNCTIONS?

A. During its first meeting on April 26, 2004, the RSC discussed a draft of transmission expansion and cost allocation principles for SPP. The RSC also formed the Cost Allocation Working Group (“CAWG”), which was comprised of staff members from each of the SPP participating state commissions, to interact with stakeholders and develop policy recommendations to be presented to the RSC.

Q. WHAT POLICY RECOMMENDATIONS WERE MADE BY THE RSC AND CAWG?

A. The CAWG and RSC developed a two-part plan to address transmission expansion and methods of cost allocation for both reliability and economic facilities in the SPP Region. The RSC defined several categories of transmission facilities, including:

1. Base Plan Upgrades – facilities needed for reliability;
2. Economic upgrades – facilities identified by SPP as having an economic benefit;
3. Requested upgrades – facilities identified by a market participant as having an economic benefit;
4. Interconnection upgrades – facilities to safely interconnect a new generator;
5. Merchant Transmission – facilities to safely interconnect a merchant transmission facility.

As the first part of its two-part plan, the RSC, CAWG, and SPP focused on developing a methodology to allocate the costs of Base Plan Upgrades, which is
commonly referred to as the Base Plan Funding cost allocation methodology ("Base Plan Funding").

Q. WHAT COST ALLOCATION METHODOLOGY DID THE CAWG AND RSC DEVELOP FOR BASE PLAN UPGRADES?

A. After several months of meetings to gather stakeholder input and to finalize the details of the Base Plan Funding cost allocation methodology, the RSC and CAWG ultimately settled on a process that assigns one-third of the costs on a regional basis and two-thirds of the costs zonally on a MW-mile basis. SPP, the RSC, and SPP stakeholders carefully reviewed and analyzed possible approaches to determining the zonal component, and determined that the MW-mile methodology provided a consistent and fair approach to allocating the zonal cost component based on each Zone’s proportional benefit. On November 16, 2004, the RSC adopted the transmission expansion cost allocation proposal for reliability upgrades, under which 33% of the costs of such upgrades would be allocated on a region-wide basis. This proposal effectively became the first application of a Highway rate within SPP.

Q. HOW DID THE RSC’S TRANSMISSION EXPANSION COST ALLOCATION PROPOSAL TRANSLATE INTO SPP’S COST ALLOCATION METHODOLOGY KNOWN AS BASE PLAN FUNDING?

A. Following the RSC’s adoption of the transmission expansion cost allocation proposal, the Regional Tariff Working Group ("RTWG") developed Tariff language to implement the proposal, which the Markets and Operations Policy Committee ("MOPC") subsequently reviewed and approved. On January 25, 2005, SPP’s Board of Directors accepted the MOPC recommendation and authorized the SPP staff to file
the Tariff provisions required to implement the proposed Base Plan Funding cost allocation methodology with the Commission. SPP filed its Base Plan Funding Tariff revisions on February 28, 2005, and the revisions were accepted by the Commission on April 22, 2005. See Sw. Power Pool, Inc., 111 FERC ¶ 61,118, order on reh’g, 112 FERC ¶ 61,319 (2005).

Q. AFTER BASE PLAN FUNDING WAS IMPLEMENTED, WHAT STEPS DID SPP TAKE TO ADDRESS COST ALLOCATION FOR ECONOMIC UPGRADES?

A. When the RSC adopted Base Plan Funding, the RSC noted that “pure participant funding on economic upgrades has proven not to work in some areas,” and therefore directed the CAWG to “continue discussions and propose refinements to supplement the proposal on economic upgrades.” Following the adoption of Base Plan Funding, the CAWG and RSC shifted focus toward the development of a definitive proposal to address cost allocation incentives for economic upgrades with a goal of promoting investment in transmission facilities that could reduce congestion and result in lower-cost wholesale electricity supply to load-serving entities and ultimately end-use consumers. The RSC first proposed and SPP adopted provisions to permit one or more entities to bear a portion or all of the costs of building a transmission facility, called a “Sponsored Upgrade,” in exchange for transmission credits for that facility. See Sw. Power Pool, Inc., 123 FERC ¶ 61,208 (2008); Sw. Power Pool, Inc., 125 FERC ¶ 61,054 (2008), order on reh’g, 127 FERC ¶ 61,271 (2009); see also Sw. Power Pool, Inc., Letter Order, Docket No. ER09-394-000 (Jan. 28, 2009).

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A. On January 29, 2007, responding to guidance in SPP’s 2006 Strategic Plan following development of the cost allocation approach for Sponsored Upgrades, the CAWG proposed to the RSC the idea of moving from a facility-by-facility planning approach to a portfolio of economic facilities. During the ensuing months, the CAWG continued to meet regularly to develop the Balanced Portfolio policy, considering alternatives and setting expectations for the Benefits-to-Cost (B/C) ratio that could be achieved within a particular Balanced Portfolio of facilities. On January 28, 2008, the RSC adopted a Concepts Paper on Economic Upgrades, which called for adoption of a region-wide postage stamp cost allocation methodology for transmission facilities, regardless of voltage level, that are part of a “Balanced Portfolio,” a portfolio of facilities where the benefits of the portfolio for each SPP Zone equal or exceed the costs allocated to that SPP Zone. The RSC’s approved policy was turned over to the RTWG for translation into Tariff language, which was approved by the stakeholders and the SPP Board of Directors in July 2008. SPP filed the Tariff modifications to implement the Balanced Portfolio on August 15, 2008 in Docket No. ER08-1419, which the Commission accepted on October 16, 2008. Sw. Power Pool, Inc., 125 FERC ¶ 61,054 (2008), reh’g denied, 127 FERC ¶ 61,271 (2009).

Q. WHEN DID SPP FIRST IMPLEMENT THE BALANCED PORTFOLIO COST ALLOCATION METHODOLOGY?
A. In April 2009, the stakeholders, RSC, and SPP Board of Directors approved the initial list of economic-based facilities comprising a Balanced Portfolio. The RSC unanimously approved the economic facilities on April 27, 2009, and SPP’s Board of Directors further authorized SPP to issue the Notifications to Construct for those specific facilities on April 28, 2009.

Q. HOW HAS SPP’S COST ALLOCATION HISTORY EVOLVED INTO THE HIGHWAY/BYWAY METHODOLOGY BEING PROPOSED TODAY?

A. SPP’s efforts to address cost allocation for transmission facilities have evolved from focusing exclusively on zonal reliability impacts to assessing the regional benefits of an integrated transmission plan assessing both reliability and economic needs in the SPP Region. As discussed above, the first regional (i.e., Highway) approach to cost allocation appeared in the Base Plan Funding methodology, where a portion of the costs associated with reliability upgrades were spread across the SPP Region, and the remaining costs were allocated to the Zone(s) that benefited most directly from the facility on a MW-mile basis. The Balanced Portfolio cost allocation methodology extended the regional allocation of costs from its limited application to reliability facilities to a portfolio of economic upgrades. In this filing, as recommended by the SPPT and formalized by the RSC and SPP, SPP seeks to take the additional step of expanding its regional cost allocation to the Highway/Byway methodology and applying it to regionally-planned EHV facilities.
III. STAKEHOLDER PROCESS TO DEVELOP THE HIGHWAY/BYWAY

METHODOLOGY – THE SYNERGISTIC PLANNING PROJECT TEAM

Q. PLEASE EXPLAIN THE ORIGIN AND PURPOSE OF THE SYNERGISTIC PLANNING PROJECT TEAM.

A. In response to SPP annual stakeholder surveys from previous years as well as anticipated changes in federal energy policy and its implications for the region’s significant renewable resources, the SPP Board of Directors decided in January 2009 to create the SPPT, comprised of two State Commissioners, one representative each from the investor-owned utility, transmission-dependent utility, and marketer segments of the SPP Membership, an outside investor, an industry consultant, and a senior SPP staff member, to develop recommendations to improve SPP’s regional transmission planning processes and cost allocation methodology.

Q. PLEASE DESCRIBE THE FINDINGS AND RECOMMENDATIONS OF THE SPPT RELATED TO IMPROVING TRANSMISSION PLANNING AND COST ALLOCATION.

A. On April 23, 2009, the SPPT issued a report and recommendations that would reshape transmission planning and cost allocation for the SPP Region. The SPPT recommended that:

   (1) SPP adopt new planning principles to establish its new visions for an Integrated Transmission Planning (“ITP”) Process;

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(2) SPP implement the ITP process, as described in the report, to facilitate the
creation of a robust, flexible, and cost-effective transmission network in the
SPP footprint;

(3) The Board of Directors/Members Committee develop a plan to monitor the
approved ITP facilities to ensure construction;

(4) The RSC establish a Highway/Byway cost allocation methodology for the
SPP Region;

(5) SPP staff and jurisdictional utilities work with their respective state
commissions to establish the appropriate method for rate recovery of
regionally allocated transmission costs;

(6) As an interim measure, SPP evaluate and recommend to the RSC a list of
Priority Projects within six months for approval by the Board of Directors,
along with selecting either an existing cost allocation methodology or a new
Highway/Byway cost allocation methodology for the approved Priority
Projects; and

(7) The Board of Directors set timelines, as set forth in the SPPT Report, for
implementing the recommendations and assign a group to shepherd the
effort through the SPP stakeholder process.

Q. WHICH TWO SPPT RECOMMENDATIONS ADDRESS COST
ALLOCATION?

A. Recommendations four (4) and five (5) of the SPPT Report address: (1) establishing a
Highway/Byway cost allocation methodology, and (2) SPP staff’s coordination with
and support of its jurisdictional Members and their respective state jurisdictions in
establishing the appropriate method for rate recovery of regionally allocated transmission costs.

Q. WHAT ACTIONS HAVE BEEN TAKEN TO FULFILL THE SPPT COST ALLOCATION RECOMMENDATIONS?

A. Throughout 2009, the RSC discussed the principles, concepts, and recommendations set forth in the SPPT Report. In July of 2009, the RSC received an overview of the SPPT, ITP process, Priority Projects, and Highway/Byway cost allocation, including EHV rate design objectives. During its October 26, 2009 meeting, the RSC approved the following Highway/Byway cost allocation methodology proposed by the CAWG:

<table>
<thead>
<tr>
<th>Voltage</th>
<th>Regional</th>
<th>Zonal</th>
</tr>
</thead>
<tbody>
<tr>
<td>300 kV and above</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Above 100 kV and below 300 kV</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>100 kV and below</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Q. PLEASE SUMMARIZE HOW THE HIGHWAY/BYWAY METHODOLOGY IS DIFFERENT FROM THE CURRENT SPP COST ALLOCATION METHODOLOGY FOR TRANSMISSION FACILITIES.

A. The Highway/Byway methodology differs from the current cost allocation methodology in three ways. First, the cost allocation to be applied is dependent upon the operating voltage of the facility. Second, allocation of a portion of the cost of a facility on the basis of flow impacts (i.e., the MW-mile analysis), is eliminated. Third, 100% of the costs of facilities operating at or below 100 kV are directly allocated to the Zone in which the facility is constructed.
Q. THE HIGHWAY/BYWAY PROPOSAL MAINTAINS SPP’S CURRENT 1/3 REGIONAL AND 2/3 ZONAL COST ALLOCATION FOR FACILITIES OPERATING ABOVE 100 kV and BELOW 300 kV, BUT ELIMINATES SPP’S CURRENT MW-MILE ALLOCATION FOR THE ZONAL COMPONENT. PLEASE EXPLAIN THE RATIONALE BEHIND THIS CHANGE.

A. As SPP, the RSC, and SPP stakeholders considered moving to a Highway/Byway cost allocation methodology, they also examined the significance of the current zonal allocation methodology. SPP Members believed that the vast majority of zonal charges were being allocated to the Zones in which the facilities were being constructed.

Q. DOES SPP’S EXPERIENCE IN IMPLEMENTING THE MW-MILE METHODOLOGY REFLECT THIS BELIEF?

A. A review of the data proves the SPP Members’ belief to be correct. For all facilities operating at a voltage greater than 100 kV and below 300 kV with the current Base Plan Funding cost allocation treatment, 81% of the Annual Transmission Revenue Requirement (“ATRR”) subject to the MW-mile metric is assigned to the host Zone.

Q. THE HIGHWAY/BYWAY METHODOLOGY PROPOSED IN THIS FILING ALSO REQUIRES 100% OF THE COSTS FOR FACILITIES OPERATING AT OR BELOW 100 KV TO BE DIRECTLY ALLOCATED TO THE HOST ZONE. WHAT IS THE RATIONALE FOR THIS ASPECT OF THE PROPOSAL?

A. SPP, the RSC, and SPP stakeholders have decided to allocate 100% of the costs of facilities operating at or below 100 kV on a zonal basis because new facilities...
operating at lower voltage levels will be constructed primarily to serve local needs.
The proposed Highway/Byway methodology for lower voltage level facilities (i.e., 100 kV or less) assigns costs to the host Zone.

Q. HAS SPP CONDUCTED ANY ANALYSIS TO SUPPORT THIS CONCLUSION?

A. As with the elimination of the MW-mile allocation, experience over the previous few years has shown that there is a notably smaller amount of dollars allocated outside the host Zones for lower voltage level facilities than is allocated to the host Zone. For facilities operating at 100 kV or less with the current Base Plan Funding cost allocation treatment, 87% of the ATRR subject to the MW-mile methodology is assigned to the host Zone.

IV. REASONS FOR ADOPTING THE HIGHWAY/BYWAY METHODOLOGY

Q. WHY IS SPP PROPOSING TO CHANGE ITS COST ALLOCATION METHODOLOGY AT THIS TIME?

A. SPP is proposing to change its cost allocation methodology in response to developing events and needs in its region and the evolving nature of regional transmission planning.

Q. WHAT ARE THE CURRENT CHALLENGES TO APPROPRIATE REGIONAL TRANSMISSION PLANNING AND COST ALLOCATION IN SPP?
A. As discussed above, SPP’s system was traditionally planned at the zonal level, and SPP cost allocation has evolved over time from a zonal approach to a methodology that allocates the costs of certain facilities both regionally and zonally. As the transmission planning process in the SPP Region has evolved, the focus on zonal planning and cost allocation has become a significant part of the entire planning process, but not the most significant part of the planning process. The SPP pricing Zones are an artifact of the historic development of each Transmission Owner’s retail service obligation territory as it developed during the time they operated separately as vertically integrated utilities. The zonal configuration also reflects the result of various corporate mergers that have occurred, meaning that the shape and size of the Zones typically lacks electrical significance. As Figure 1 illustrates, the Zones vary dramatically in geographic scope and geographic shape.

FIGURE 1: Existing SPP Zonal Configuration
Additionally, Figure 2 demonstrates that the SPP transmission Zones vary dramatically in terms of transmission facility revenue requirement, load, and load density.

### FIGURE 2: SPP Pricing Zone Information

<table>
<thead>
<tr>
<th>Zone #</th>
<th>Pricing Zones</th>
<th>Zonal Annual Revenue Requirement*</th>
<th>Average Monthly Peak Load**</th>
<th>Load Ratio Share***</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AEPW</td>
<td>$151,662,031</td>
<td>7,555</td>
<td>22.56%</td>
</tr>
<tr>
<td>3</td>
<td>SPPM</td>
<td>$8,651,509</td>
<td>480</td>
<td>1.43%</td>
</tr>
<tr>
<td>4</td>
<td>EMDE</td>
<td>$14,075,000</td>
<td>947</td>
<td>2.83%</td>
</tr>
<tr>
<td>5</td>
<td>GRDA</td>
<td>$24,589,256</td>
<td>722</td>
<td>2.18%</td>
</tr>
<tr>
<td>6</td>
<td>KCPL</td>
<td>$32,883,232</td>
<td>2,835</td>
<td>8.46%</td>
</tr>
<tr>
<td>7</td>
<td>OKGE</td>
<td>$61,151,489</td>
<td>4,900</td>
<td>14.63%</td>
</tr>
<tr>
<td>8</td>
<td>MIDW</td>
<td>$4,197,347</td>
<td>265</td>
<td>0.79%</td>
</tr>
<tr>
<td>9</td>
<td>KCPL GMO</td>
<td>$30,050,990</td>
<td>1,491</td>
<td>4.45%</td>
</tr>
<tr>
<td>10</td>
<td>SPA</td>
<td>$13,107,700</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>SWIPS</td>
<td>$98,750,173</td>
<td>3,985</td>
<td>11.90%</td>
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<tr>
<td>12</td>
<td>SECI</td>
<td>$14,484,046</td>
<td>369</td>
<td>1.10%</td>
</tr>
<tr>
<td>13</td>
<td>\WEFA</td>
<td>$20,719,639</td>
<td>1,065</td>
<td>3.18%</td>
</tr>
<tr>
<td>14</td>
<td>WRI</td>
<td>$115,503,530</td>
<td>3,914</td>
<td>11.69%</td>
</tr>
<tr>
<td>15</td>
<td>MKEC</td>
<td>$16,212,145</td>
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</tr>
<tr>
<td>16</td>
<td>LES</td>
<td>$14,168,176</td>
<td>790</td>
<td>2.36%</td>
</tr>
<tr>
<td>17</td>
<td>NPPD</td>
<td>$46,111,083</td>
<td>2,194</td>
<td>6.55%</td>
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<tr>
<td>18</td>
<td>OPPD</td>
<td>$35,176,688</td>
<td>1,495</td>
<td>4.46%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$721,499,033</td>
<td>33,491</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

*From SPP OATT, Attachment H, Table 1, Column 3
**As reported by the Transmission Owners for 2008
***Zonal Average Monthly Peak Load divided by Total Average Monthly Peak Load

These facts create significant difficulty in designing a cost allocation methodology that precisely correlates allocation of the cost of a facility to these Zones with directly measurable benefits to load in each of these Zones. SPP’s zonal configuration, a legacy of the transmission structure prior to the development of the SPP Tariff, does not reflect SPP’s shifting focus to regional transmission planning and cost allocation. Today’s Tariff continues its historical perspectives (i.e., Transmission Service, regional sharing of operating reserves, etc.) and expands into new areas such as
markets and demand response. However, the pricing Zones are the Transmission Owners’ retail service territories and reflect the transmission costs traditionally included their state jurisdictional retail rates.

Q. WHAT ARE THE GOALS FOR THE SPPT AND REGIONAL TRANSMISSION PLANNING?

A. The SPPT Report, discussed above, identifies several goals for SPP transmission planning, including:

(1) Integrating west-to-east portions of the SPP grid to enable renewable resources located primarily in the west to reach load centers located mostly in the east;

(2) Providing support for the Aggregate Transmission Service Study process;

(3) Providing relief to the generation interconnection queue; and

(4) Relieving known congestion.

Q. HOW DOES THE HIGHWAY/BYWAY COST ALLOCATION METHODOLOGY FACILITATE REGIONAL TRANSMISSION PLANNING?

A. The Highway/Byway methodology proposed in this filing appropriately regionalizes cost allocation of regionally-focused transmission solutions. In order to further the defined goals of the SPPT through its report, SPP must adapt its planning principles and processes, specifically including its cost allocation methodology, to accomplish a broader reaching, bigger picture look at transmission solutions for the SPP Region. SPP must move forward from its traditional approach of plugging the holes in the dam that is the SPP Transmission System with local, reliability-based solutions to
looking at how to redesign the dam so that it meets the needs of the entire SPP Region for today and tomorrow. Successfully moving away from local transmission solutions to more regional solutions requires SPP to move from a reliability-based, zonally-focused cost allocation methodology to a methodology that more closely focuses on the need for and benefits of regional, higher-voltage solutions and assigns the costs for those solutions on a regional basis.

Q. WHAT ROLE DOES RENEWABLE GENERATION PLAY IN SPP’S TRANSMISSION PLANNING PROCESS?

A. Renewable energy, particularly wind generation, plays a particularly important role in SPP’s regional transmission planning. Installation of wind generation resources has grown substantially in the SPP Region over the past eight years, as Figure 3 demonstrates, and the number of active wind interconnection requests in the queue currently exceeds 38,700 MWs.

Additionally, several states in the SPP Region have established renewable energy mandates or goals, as Figure 4 illustrates.
Q. WHAT CHALLENGES DOES SPP FACE IN INTEGRATING RENEWABLE RESOURCES INTO ITS TRANSMISSION SYSTEM?

A. As Figures 5 and 6 indicate, major load centers (i.e., cities with populations over 100,000) are generally located in the eastern portion of the SPP grid, while the most significant renewable resources are located in the west. Because of this, the SPPT established the goal of greatly increasing west-to-east transmission capacity.
Q. HOW DOES SPP’S CURRENT TRANSMISSION SYSTEM PROVIDE CAPACITY FOR WEST-TO-EAST TRANSMISSION OF RENEWABLE ENERGY?

A. The present SPP Transmission System has major gaps between the west and east, particularly with respect to EHV facilities. Figure 7 shows the significant gaps in EHV facilities, even with transmission facilities for which SPP has issued a Notification to Construct.

FIGURE 7: Gaps in 345 kV

Q. HOW DOES THE HIGHWAY/BYWAY METHODOLOGY FACILITATE THE GOAL OF INCREASING WEST-TO-EAST TRANSMISSION?

A. The Highway/Byway cost allocation methodology proposed in this filing facilitates development of west-to-east transmission capacity by providing accommodating regional cost allocation for large EHV transmission facilities that will enable the
interconnection of vast renewable energy resources in the west and the delivery of
those resources to load centers in the east.

Q. DOES THE EXISTING WIND COST ALLOCATION METHODOLOGY IN
THE SPP TARIFF ENCOURAGE TRANSMISSION CONSTRUCTION TO
PROVIDE WEST-TO-EAST CAPACITY?

A. Yes. SPP is proposing to maintain its existing wind cost allocation methodology
because it does facilitate the development of transmission to accommodate wind
resources in the west for delivery in the east. The proposed Highway/Byway
methodology builds on the existing methodology by providing 100% cost allocation
for EHV facilities that facilitate wind integration and other SPPT goals.

Q. ANOTHER GOAL OF THE SPPT IS TO PROVIDE RELIEF TO THE
GENERATION INTERCONNECTION PROCESS. HOW DOES THE
HIGHWAY/BYWAY METHODOLOGY PROVIDE RELIEF TO THE
GENERATION INTERCONNECTION PROCESS FOR THE BENEFIT OF
BOTH RENEWABLE AND NON-RENEWABLE RESOURCES?

A. The Highway/Byway methodology will support the integration of both renewable and
non-renewable resources into the SPP grid, enhance the resource options available,
and decrease the costs for those seeking Transmission Service and possibly
generation interconnection. Figure 8 is a map showing the location of non-renewable
generation interconnection facilities represented in SPP’s generation interconnection
queue. This map illustrates that EHV transmission will support the generation
interconnection process for both non-renewable and renewable generation and the use
of those new Designated Resources across the SPP footprint.
Q.  HOW DOES THE HIGHWAY/BYWAY METHODOLOGY HELP TO ALLEVIATE PROBLEMS IN THE GENERATION INTERCONNECTION PROCESS?

A.  The Highway/Byway methodology will support the development of transmission that could and certainly should relieve the generation interconnection queue. Figure 9 identifies facilities resulting from the 2009 STEP Appendix B, upgrades with Notifications to Construct, and upgrades currently under construction. Examined in conjunction with the preceding information showing Generation Interconnection Requests for both renewables and non-renewables, this map presents a vivid picture of the transmission already in process within SPP. This new transmission, coupled with the transmission that appears to be emerging from the SPP planning process, should provide relief for the generation interconnection queue.
Q. DOES SPP FACE SIMILAR PROBLEMS WITH ITS AGGREGATE TRANSMISSION SERVICE STUDY PROCESS?

A. Yes. For example, Figure 10 depicts three 2007 Aggregate Transmission Service Studies. As Figure 10 illustrates, Points of Receipt (“POR”) and PODs for the 2007 Aggregate Transmission Service Studies are disbursed randomly throughout the SPP footprint, often located in separate SPP pricing Zones. Regional facilities are necessary for SPP to provide Transmission Service to satisfy the requests in these Aggregate Transmission Service Study groups.
Q. WILL THE HIGHWAY/BYWAY METHODOLOGY FACILITATE THE GOAL OF PROVIDING SUPPORT TO THE AGGREGATE TRANSMISSION SERVICE STUDY PROCESS?

A. Yes. First, as discussed above, Service Upgrades identified through the Aggregate Transmission Service Study process that qualify as Base Plan Upgrades under Attachment J will receive Highway/Byway cost allocation in the same manner as other Base Plan Upgrades. Additionally, the Highway/Byway methodology will facilitate the development of regional EHV transmission facilities that will further support the Aggregate Transmission Service Study Process. Figure 11 depicts in blue the EHV facilities that have been identified through the Aggregate Transmission Service Study process as being necessary to satisfy Transmission Service requests.
and for which SPP has issued Notifications to Construct. Other EHV facilities are reflected in red.

**FIGURE 11: Upgrades from 2009 STEP Appendix B, Upgrades with NTCs or Upgrades Currently Under Construction – 345 kV**

When compared to the illustrative set of the PORs and PODs reflected in Figure 10 above, the Figures demonstrate that EHV facilities built for other purposes (i.e., facilities depicted in red) are also located where PORs and PODs are concentrated and will therefore facilitate Transmission Service from the PORs to the PODs. Because EHV facilities built for any reason can support Transmission Service, SPP’s commitment to adding EHV transmission and the corresponding regionally-focused Highway/Byway cost allocation support the Aggregate Transmission Service Study process.

**Q. PLEASE EXPLAIN THE SPPT’S GOAL TO RELIEVE KNOWN CONGESTION.**
A. The SPPT established the goal of relieving known congestion because a single constrained flowgate can affect multiple market participants over a broad geographic region, as is illustrated at different levels of granularity in Figures 12 and 13, which together depict from a single example of the geographic breadth of locational price separation associated with congestion at a single flowgate (the Lake Road – Alabama 161 kV (MPS) for the loss of Iatan – Stranger Creek 345 kV (KCPL) flowgate).

**FIGURE 12**

January 26, 2010 Interval Ending 12:15 PM

**FIGURE 13**

January 26, 2010 Interval Ending 12:15 PM
Figures 12 and 13 depict a single five minute interval in January 2010 when the flowgate was breached. During that interval, this was the only congested flowgate on the SPP Transmission System. Congestion at this flowgate alone triggered significant price separation in SPP, with prices ranging between -$475.00/MWH and $1,480.00/MWH. Absent this congestion event, the price at all locations would have been $25.26/MWH, the System Marginal Price (“SMP”).

Q. HOW WILL THE HIGHWAY/BYWAY COST ALLOCATION METHODOLOGY FACILITATE CONGESTION RELIEF?

A. Figure 14 lists the Balanced Portfolio upgrades identified to improve flow across this flowgate.

Because the significant price impacts resulting from the congestion event described above are felt across a broader geographic area, relief of congestion across this flowgate will benefit a broader region and therefore allocating the costs of adding the EHV facility and related transformer to alleviate this congestion is justified. The Highway/Byway methodology will allocate costs regionally, and, because future upgrades needed to relieve congestion will provide regional benefits, their costs should be regionally allocated.
V. QUANTITATIVE ANALYSES SUPPORTING HIGHWAY/BYWAY COST ALLOCATION METHODOLOGY

Q. DID SPP CONDUCT ANY QUANTITATIVE ANALYSES TO DETERMINE THE APPROPRIATE VOLTAGE LEVELS ELIGIBLE FOR THE VARIOUS HIGHWAY/BYWAY COST ALLOCATION RATIOS?

A. SPP conducted both a Transmission Distribution Analysis and an Injection Withdrawal Transmission Utilization Analysis.

Q. WHAT IS THE PURPOSE OF THE TRANSMISSION DISTRIBUTION ANALYSIS?

A. The Transmission Distribution Analysis determines which classes of facilities contribute materially to the delivery of energy over long distances by assessing the responsiveness of various classes of transmission facilities to power transfers among SPP’s pricing Zones. In other words, the Transmission Distribution Analysis identifies which facilities are used mostly for regional flows and therefore function as Highway facilities.

Q. PLEASE DESCRIBE THE TRANSMISSION DISTRIBUTION ANALYSIS.

A. SPP constructed 182 illustrative Transmission Service transactions by identifying 14 primary SPP pricing Zones, pairing each identified Zone with each of the other identified Zones, and permitting such Zones to serve as either POR or POD for the illustrative transactions, to measure the responsiveness of a particular Transmission System element to a specific Transmission Service transaction using a selected
voltage cut-off, the Transmission Distribution Factor (“TDF”). The TDF measures the percent of the total flow supported by that element for the subject transaction.

Q. WHAT FACILITIES DID SPP STUDY USING THE TRANSMISSION DISTRIBUTION ANALYSIS?

A. SPP examined existing Transmission System facilities, supplemented by adding five illustrative EHV facilities from a Balanced Portfolio, using actual 2010 operating conditions, to determine the TDF for each Transmission System element for each transaction. SPP then classified the Transmission System elements and the resulting TDFs associated with each element into four groups: (1) elements that comprise the group of five Balanced Portfolio EHV facilities; (2) elements that comprise the fleet of existing 345 kV facilities; (3) elements that comprise the fleet of existing 115 and 138 kV facilities; and (4) elements that comprise the fleet of existing 69 kV facilities.

Q. WHAT DID THIS ANALYSIS REVEAL ABOUT THE TDFS FOR EACH GROUP OF ELEMENTS?

A. From this analysis, SPP observed that the percentage of TDFs greater than the reference TDF for each facility’s classification followed a rather expected distribution showing that EHV facilities were far more responsive to interzonal flows than were lower voltage facilities: 98% for the five Balanced Portfolio EHV facilities, 77% for the existing 345 kV facilities, 38% for existing 115 and 138 kV facilities, and 14% for existing 69 kV facilities. The results are depicted in Figure 15 below.
Q. DID SPP ANALYZE ANY OTHER TRANSACTIONS?

A. Yes. Utilizing the same classes of facilities, SPP separately evaluated the responsiveness of the facilities to 56 illustrative through transactions. SPP constructed separate POR/POD pairs using the neighboring transmission systems of Associated Electric Cooperative Inc., Ameren-Illinois, Entergy, ERCOT, MidAmerican Energy Company, Western Area Power Authority (“WAPA”), WAPA Upper Great Plains Region East, and Western Electricity Coordinating Council as both POR and POD.

Q. WHAT DID SPP DETERMINE FROM THIS ANALYSIS OF THROUGH TRANSACTIONS?

A. SPP noted similar results for these transactions: 97% for the five Balanced Portfolio EHV facilities, 76% for the existing 345 kV facilities, 36% for existing 115 and 138 kV facilities and 9% for existing 69 kV facilities. Figure 16 below depicts the results of this analysis.
Q. WHAT DO YOU CONCLUDE FROM THESE ANALYSES?

A. While the results of any Transmission Distribution Analysis will vary depending on the particular facility assumptions and elements studied, I conclude from this analysis that 345 kV facilities, particularly those designed with regional goals in mind, such as the Balanced Portfolio EHV elements included in this study, are significantly more responsive to regional flows than the lower voltage facilities. New facilities operating at higher voltages can reasonably be considered as serving a Highway function, and therefore the revenue requirements associated with these facilities are properly allocated regionally. Likewise, lower voltage facilities more generally serve a Byway function as they are significantly less responsive to regional flows. Therefore, it is appropriate to allocate the revenue requirements associated with such facilities on a zonal basis.
Q. YOU MENTIONED THAT SPP ALSO CONDUCTED AN INJECTION WITHDRAWAL TRANSMISSION UTILIZATION ANALYSIS. WHAT IS THIS ANALYSIS?

A. The Injection Withdrawal Transmission Utilization Analysis estimates the proportion of local utilization versus other utilization of EHV lines in the SPP Region. It is used to determine that portion of the 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.

Q. HOW IS THE INJECTION WITHDRAWAL TRANSMISSION UTILIZATION ANALYSIS CONDUCTED?

A. This engineering analysis begins with a market-based economic dispatch of generating units in the SPP footprint using the SPP system topology as committed through 2019, including the same five Balanced Portfolio EHV facilities used in the Transmission Distribution Analysis above. SPP analyzed market dispatches for three hours of 2019 (summer peak, spring peak, and winter peak) using a steady-state load flow tool. SPP staff assessed the degree to which new EHV Network Upgrades facilitate other regional energy flows during the three market dispatch periods. The facilities studied represent a broad, geographically diverse transmission subset across the SPP footprint.

Using this approach, SPP first calculated local usage of the facilities in the Zones that contained the sample facilities by calculating a TDF on each facility simulating dispatch of a local area’s generation to serve its local load. The TDF illustrates how much power flows on each facility. Once all the local flows are calculated, then the
regional flows are calculated by subtracting the local flows on a facility from the total
actual flows on the facility. Once SPP calculated local and regional flows for each
facility, SPP then determined the percentage of the local and regional usage of each
facility as a percentage of the total flows on the facility.

Q. WHAT DID SPP DETERMINE FROM ITS INJECTION WITHDRAWAL
TRANSMISSION UTILIZATION ANALYSIS?

A. This analysis demonstrates that, overall, a significant portion of the flow on EHV
transmission lines is a result of activity other than local usage. Regional utilization is
a key factor in the usage of EHV enhancements. Figure 17 displays the results of the
Injection Withdrawal Transmission Utilization Analysis. As this analysis shows, the
predominate usage of the EHV facilities studied is regional. The portion of regional
usage varies by study hour and EHV upgrade, demonstrating that the grid is used
differently based on the varying dispatch. However, regardless of the period or EHV
upgrade studied, the results confirm that the usage is predominately regional.

**FIGURE 17: Injection/Withdrawal Analysis for Balanced Portfolio**

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<td>Woodward-Tuco 345 kV</td>
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<td>10%</td>
<td>90%</td>
<td>5%</td>
<td>95%</td>
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</table>
Q. WHAT GENERAL CONCLUSIONS DO YOU DRAW FROM THE TRANSMISSION DISTRIBUTION ANALYSIS AND INJECTION WITHDRAWAL TRANSMISSION UTILIZATION ANALYSIS?

A. From these analyses, I conclude that 300 kV facilities, and especially those designed with regional goals in mind, are significantly more responsive to regional flows than are lower voltage facilities. Therefore, it is reasonable to consider new facilities operating at voltages of 300 kV and above to be serving primarily a Highway function of transferring power across the region, with lower voltage facilities serving a Byway function serving mostly local needs. Because facilities operating at 300 kV and above serve the Highway function, the associated revenue requirements should therefore be allocated to the entire region.

There is no model analysis that will show a facility to have 100% regional impacts. Under a variety of circumstances, the analyses show varying levels of regional use versus local use; however, the results consistently show high levels of regional use. Additionally, over time and for a number of EHV facilities, every Zone receives local benefits and, on balance, this local use does not overcome the merits of regional cost allocation for EHV facilities. Accordingly, the studies support that the regional allocation of 100% of the costs of 300 kV and above facilities will provide an equitable outcome over a reasonable period of time for a number of facilities and inputs.
VI. OTHER BENEFITS OF THE ADDITION OF REGIONAL FACILITIES TO THE GRID

Q. WHAT OTHER TYPES OF BENEFIT ANALYSES HAS SPP CONDUCTED TO SUPPORT THE PROPOSED HIGHWAY/BYWAY COST ALLOCATION METHODOLOGY BEYOND THE TRADITIONAL ENGINEERING AND PLANNING MEASUREMENTS DESCRIBED ABOVE?

A. SPP retained The Brattle Group to evaluate the job and economic impact of wind power and transmission development in the SPP footprint, specifically for the Priority Projects being considered by SPP. The Brattle Group used the Job and Economic Development Impact (“JEDI”) Wind Model developed for the U.S. Department of Energy to estimate the potential economic impact of wind facilities in the SPP footprint, and the Impact Analysis for PLANning (“IMPLAN®”) model to estimate the employment levels, economic activity, and local tax impacts that will be generated by investments related to transmission line construction in the SPP footprint. These models measure the economic development benefits related to direct jobs (i.e., jobs generated as a result of construction or operations of the facility), indirect jobs (i.e., jobs providing services or materials to enable construction or operations), and induced jobs (i.e., jobs providing support to direct and indirect employees such as food service, housing, and day care). These analyses also consider the economic value created as a result of all of these jobs.
Q. WHAT DID THESE ANALYSES INDICATE ABOUT THE ECONOMIC IMPACT OF WIND POWER AND TRANSMISSION DEVELOPMENT IN THE SPP REGION?

A. The Brattle Group JEDI Wind Model and IMPLAN Analysis estimated that economic benefits could exceed $13 billion dollars for the states in the SPP footprint as a result of the development of wind generation and the transmission needed to support that development. These benefits are broadly distributed among the states in the SPP footprint as reported in the Brattle Wind Report.

Q. WHAT OTHER BENEFITS HAS SPP IDENTIFIED RESULTING FROM FURTHER DEVELOPMENT OF 300 KV AND HIGHER TRANSMISSION FACILITIES THAT SUPPORT REGIONALIZATION OF THE RELATED COSTS?

A. SPP has identified several other qualitative benefits resulting from further development of 300 kV and above facilities in the SPP Region. For example, the addition of new EHV facilities to a transmission network has a broad system affect because of its ability to reduce risk of overload and system instability by unloading the existing network in other parts of the system. The addition of new circuits to the system will unload other circuits in the system, thus reducing their loading levels and increasing capacity available to withstand emergency situations, increasing the robustness of the overall network. Alternating current synchronous transmission circuits have a natural or permissible power loading limit to which they can operate.

---

within a range of normal reliable levels. These limitations can present problems by overheating or system voltage collapse. As load grows on a system, transmission lines can load up beyond the ability to support the thermal loading requirements and burn down or voltage support levels can become inadequate and cause the system to become unstable.

Q. HAS SPP IDENTIFIED OTHER BENEFITS BEYOND THE SPECIFIC RELIABILITY BENEFITS FOR 300 KV AND HIGHER TRANSMISSION FACILITIES THAT SUPPORT REGIONALIZATION OF THE RELATED COSTS?

A. Yes. Many of the facilities that SPP expects to build will be selected specifically to meet the planning principles established by the SPPT as discussed above. Many of these facilities will operate at voltages of 300 kV and above and will be specifically designed to move large blocks of power over long distances, providing greater access to a wider array of generation resources for multiple load centers distributed throughout the SPP Transmission System. Construction of such facilities will provide additional benefits such as improvement of the generation interconnection process, relieving the complexities and delay associated with granting requested Transmission Service, facilitating west-to-east power flows to move energy generated by renewable resources located in the west to loads in the east, and providing the flexibility necessary to adjust to additional requirements of federal and state energy policies, as discussed above.

Q. ARE THERE ADDITIONAL QUALITATIVE BENEFITS THAT SPP HAS IDENTIFIED FROM 300 KV AND HIGHER TRANSMISSION FACILITIES
ENHANCEMENTS THAT SUPPORT REGIONALIZATION OF RELATED COSTS?

A. SPP presently has an effort underway with its Economic Studies Working Group to determine, and where possible to quantify, non-traditional benefits from transmission that could or should be recognized. Production cost modeling will remain a component in the determination of cost effectiveness, but SPP must move beyond that single quantification of benefits as we move into the future. Several areas may be considered, including: improved reliability, efficient location of new generation capacity, reduced losses (qualitative MWh), increased effective capacity factor, ability to reduce cost of capacity, positive impact on losses capacity, levelization of locational marginal prices, improved competition in SPP markets, change in operating reserves, transmission loading relief reduction-enabling market solutions, limited export/import improvements, improved market dynamics, reduction in market price volatility, reduction in emission rates and values, transmission corridor utilization, ability to reduce cycling of base load units, generation resource diversity, and ability to serve new load.

Q. WHAT CONCLUSIONS CAN YOU OFFER?

A. Cost allocation in SPP has been evolutionary, not perfect, but progressive. SPP and the RSC have made notable progress on cost allocation since the recognition of SPP as an RTO and the formation of the RSC in 2004. With the adoption of Base Plan Funding in 2005, the Balanced Portfolio in 2008, and now Highway/Byway in 2010, SPP cost allocation continues to move toward increased regionalization of costs. This regionalization reflects and supports the movement of SPP to regional planning and
ultimately to ITP, which will move SPP from reliability-driven, localized solutions to regional solutions. My testimony demonstrates that the Highway/Byway cost allocation methodology is supported by abundant analyses, and is needed to further the SPPT’s goals to improve SPP planning and cost allocation.

Cost allocation, however, is but one facet of SPP’s continued change as illustrated by the implementation of the Energy Imbalance Services (“EIS”) market in 2007, the growth in the importance of renewable resources both in terms of their potential and actual usage within SPP, the increase in transmission expected to be added within the SPP footprint (i.e., the 2006 STEP included $1.4 billion in transmission while the 2009 STEP includes $4.6 billion in transmission), and the significant addition of Nebraska Public Power District, Lincoln Electric System, and Omaha Public Power District in 2009, to name only a few specific changes.

I do not presume to know all that the future will hold for SPP specifically, but I do know that there is a commitment to future markets, a consolidated balancing authority, and a robust transmission grid. The Highway/Byway cost allocation methodology and the commitment to what SPP refers to as the review of outcomes for “unintended consequences” represents a continued progression in the evolution of SPP’s approach to cost allocation to meet the needs of the region and SPP’s demonstrated history in terms of the commitment to get cost allocation right both in policy and performance allows me to present this testimony in support of the Highway/Byway approach to cost allocation.

**Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

**A.** Yes.
Affidavit of Leslie E. Dillahunty

Leslie E. Dillahunty, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled Prepared Direct Testimony; that said testimony was prepared by him and under his direction and supervision; that if inquiries were made as to the facts in said testimony, he would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of his knowledge, information and belief.

[Signature]
Leslie E. Dillahunty

Subscribed and sworn to before me this 15th day of April, 2010.

[Signature]
Cheryl E. Robertson
Notary Public

My Commission expires:

12-31-13
EXHIBIT NO. SPP-2

Tariff Sheets (Clean)
1.3g **Base Plan Upgrades:** Those upgrades included in and constructed pursuant to the SPP Transmission Expansion Plan in order to ensure the reliability of the Transmission System. Base Plan Upgrades shall also include those Service Upgrades required for new or changed Designated Resources to the extent allowed for in Attachment J to this Tariff. Base Plan Upgrades shall also include high priority upgrades, excluding Balanced Portfolios, that are approved for construction by the SPP Board of Directors. For Zones 1 through 15, all such upgrades shall specifically exclude planned Transmission System facilities identified in the SPP Transmission Expansion Plan that are: (i) placed in service during the 2005 calendar year or (ii) required to be in service to meet the SPP Criteria and the NERC Reliability Standards for the summer of 2005. For Zones 16, 17, and 18, all such upgrades shall specifically exclude planned Transmission System facilities in those zones identified in the SPP Transmission Expansion Plan Report (2009 – 2018) that are required to be in service to meet the SPP Criteria and the NERC Reliability Standards for the summer of 2008 or which are in operation prior to January 1, 2009, except for those upgrades that are in service prior to January 1, 2009 and are components of Phase 1 of the NPPD 345kV Norfolk to Lincoln (ETR) project or OPPD Sub 1255/3455 Transformer project. Network Upgrades that are components of Phase 1 of the NPPD 345kV Norfolk to Lincoln (ETR) project or OPPD Sub 1255/3455 Transformer project that are in service prior to January 1, 2009 will be Base Plan Upgrades, however, the Zonal component of the costs shall be 100% allocated to the respective host zone.

1.3h **Base Plan Zonal Annual Transmission Revenue Requirement:** For each Zone, the sum of the annual transmission revenue requirement for each Base Plan Upgrade and of the Accredited Revenue Requirement(s), if any, that are allocated to the Zone in accordance with Attachments J and S to this Tariff.

1.3i **Base Plan Zonal Charge:** Zonal component of the charge assessed by the Transmission Provider in accordance with Schedule 11 to recover the revenue requirement of facilities classified as Base Plan Upgrades.

Issued by: Heather H. Starnes, Manager, Regulatory Policy

Issued on: April 19, 2010

Effective: June 19, 2010
1.3j **Base Plan Zonal Load Ratio Share:** Ratio of a Network Customer's or Transmission Owner’s Resident Load in a Zone to the total load in that Zone.
**ATTACHMENT H**

**Annual Transmission Revenue Requirement For Network Integration Transmission Service**

**SECTION I: General Requirements**

1. The Zonal Annual Transmission Revenue Requirement within each Zone for purposes of determining the charges under Schedule 9, Network Integration Transmission Service, is specified in Column (3) of Table 1. The Base Plan Zonal Annual Transmission Revenue Requirement used to determine the zonal charges under Schedule 11 for Base Plan Upgrades issued a Notification to Construct (NTC) prior to June 19, 2010 is specified in Column (4) of Table 1. The Base Plan Zonal Annual Transmission Revenue Requirement used to determine the zonal charges under Schedule 11 for Base Plan Upgrades issued an NTC on or after June 19, 2010 is specified in Column (5) of Table 1. The amount of Zonal Annual Transmission Revenue Requirement and Base Plan Zonal Annual Transmission Revenue Requirement that is included in Columns (3), (4), and (5) and reallocated to the Region-wide Annual Transmission Revenue Requirement, in accordance with Attachment J, is specified in Column (6) of Table 1.

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<th>(3) Zonal ATRR</th>
<th>(4) Base Plan Zonal ATRR</th>
<th>(5) Base Plan Zonal ATRR after June 19, 2010</th>
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Issued by:  Heather H. Starnes, Manager, Regulatory Policy

Issued on:  April 19, 2010  Effective:  June 19, 2010
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<td>Total</td>
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2. For the purposes of determining the Region-wide Charges under Schedule 11, the Region-wide Annual Transmission Revenue Requirement, as shown in Line 5 of Table 2, shall be the sum of (i) the Base Plan Region-wide Annual Transmission Revenue Requirement, and (ii) the total Balanced Portfolio Region-wide Annual Transmission Revenue Requirements.

Table 2

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>1</td>
<td>Base Plan Region-wide ATRR (NTC prior to June 19, 2010)</td>
<td>$20,492,017</td>
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<tr>
<td>2</td>
<td>Base Plan Region-wide ATRR (NTC on or after June 19, 2010)</td>
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<td>3</td>
<td>Total Balanced Portfolio Region-wide ATRR Total, Column (6), Table 1</td>
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<td>4</td>
<td>Balanced Portfolio Region Wide ATRR</td>
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<tr>
<td>5</td>
<td>Region-wide ATRR (Line 1 + Line 2 + Line 3 + Line 4)</td>
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</table>

3. The revenue requirements stated in this Attachment H shall not be changed absent a filing with the Commission, accompanied by all necessary cost support.

4. New or amended revenue requirements in this Attachment H shall not be filed with the Commission by the Transmission Provider unless such revenue requirements have been provided by or for a Transmission Owner. Such revenue requirements shall have been accepted or approved by the applicable regulatory or governing authority except in the event of a simultaneous filing with the Commission by the Transmission Owner and Transmission Provider.

5. If a Transmission Owner has a Commission approved formula rate, the successful completion of its approved annual formula rate update procedures shall constitute regulatory acceptance sufficient to authorize the Transmission Provider to file with the Commission to update that Transmission Owner’s revenue requirements. The Transmission Provider shall follow any special procedures related to updating a Transmission Owner’s revenue requirements as outlined in Section II of this Attachment.

6. The Transmission Provider shall allocate the accepted or approved revenue requirement associated with a Base Plan Upgrade, in accordance with Attachment J to this Tariff, to the Base Plan Region-wide Annual Transmission Revenue Requirement in Table 2 above and to the appropriate Base Plan Zonal Annual Transmission Revenue Requirements in Column (4) or (5) as appropriate of Table 1 above.

Issued by: Heather H. Starnes, Manager, Regulatory Policy

Issued on: April 19, 2010
Effective: June 19, 2010
ATTACHMENT J

Recovery Of Costs Associated With New Facilities

I. Direct Assignment Facilities

Where a System Impact and/or Facilities Study indicates the need to construct Direct Assignment Facilities to accommodate a request for Transmission Service, the Transmission Customer shall be charged the full cost of such Direct Assignment Facilities. Such costs shall be specified in a Service Agreement.

II. Network Upgrades

Where applicable the costs of completed Network Upgrades shall be allocated as specified in Sections III, IV and V of this Attachment. The revenue requirements of Base Plan Upgrades and approved Balanced Portfolios will be recovered through Schedule 11, subject to filing such rate or revenue requirements with the Commission, and where applicable Directly Assigned Upgrade Costs. These costs may be recovered in whole or in part through the Base Plan Zonal Charge, Base Plan Region-wide Charge, and/or a direct assignment charge. The cost allocable to each of these charges shall be determined in accordance with Section III of this Attachment. The revenue requirements for other Network Upgrades may be recovered by Transmission Owners through Schedules 7, 8, and 9 subject to their filing such rate or revenue requirements with the Commission.

III. Base Plan Upgrades

A single Base Plan Upgrade is comprised of any upgrade or group of upgrades required to be made to a single transmission circuit, where a transmission circuit is comprised of all load carrying elements between circuit breakers or the comparable switching devices. A load carrying element within a Base Plan Upgrade that is connected at two different voltage levels (e.g. a 345kV/138kV transformer) shall, for the purposes of this Attachment J, be considered to have a nominal operating voltage of its lower voltage level (excluding any tertiary windings) and its costs shall be allocated in accordance with the rules governing the lower voltage level in this Attachment J.
A. Allocation of Base Plan Upgrade Costs Eligible for Cost Allocation

1. If the cost of a Base Plan Upgrade is less than or equal to $100,000, the annual transmission revenue requirement associated with such Base Plan Upgrade shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement of the Zone in which the Base Plan Upgrade is located.
2. If a) the Base Plan Upgrade is included in and constructed pursuant to the SPP Transmission Expansion Plan in order to ensure the reliability of the Transmission System or is an approved high priority upgrade, and the cost for that upgrade is not allocable under Section III.A.1; or b) the Base Plan Upgrade cost eligible for cost allocation under Section III.B.1 is not associated with a new or changed Designated Resource for a wind generation plant, then:
   
i. X% of the annual transmission revenue requirement associated with such Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Region-wide Annual Transmission Revenue Requirement and recovered through the Region-wide Charge, where X shall be set as follows:
   a. For all Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010 or whose nominal operating voltage level is less than 300 kV but greater than 100 kV, X shall be 33%.
   b. For all other Base Plan Upgrades whose nominal operating voltage level is greater than or equal to 300 kV, X shall be 100%.
   c. For all other Base Plan Upgrades whose nominal operating voltage level is less than or equal to 100 kV, X shall be 0%.

   ii. (100-X)% of the annual transmission revenue requirement associated with such Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement and recovered through the Base Plan Zonal Charge as follows:
   a. For Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010, this portion of the annual transmission revenue requirement for Base Plan Upgrade
costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement of specific Zones based on the Zones’ share of the incremental positive MW-mile benefits as computed in Section 4 of Attachment S to this Tariff. Each Zone with a benefit of at least 10 MW-miles from a given Base Plan Upgrade shall be allocated a portion of the Base Plan Zonal Annual Transmission Revenue Requirement for such upgrade based on its incremental positive MW-mile benefit divided by the sum of the incremental positive MW-mile benefits for all of those Zones with a benefit of at least 10 MW-miles from the upgrade, provided that such allocation represents an engineering and construction cost of at least $100,000.

b. For all other Base Plan Upgrades, this portion of the annual transmission revenue requirement for Base Plan Upgrade costs eligible for cost allocation shall be allocated solely to the Base Plan Zonal Annual Transmission Revenue Requirement of the Zone in which the Base Plan Upgrade is located.
3. If the Base Plan Upgrade cost eligible for cost allocation under Section III.B.1 of Attachment J is a) associated with a new or changed Designated Resource that is a wind generation plant and b) the Base Plan Upgrade is located within the same zone as the Transmission Customer’s Point of Delivery, then:

   i. X% of the annual transmission revenue requirement associated with the portion of the Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Region-wide Annual Transmission Revenue Requirement and recovered through the Base Plan Region-wide Charge, where X shall be set as follows:

      a. For Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010 or whose nominal operating voltage level is less than 300 kV and greater than 100 kV, X shall be 33%.

      b. For all other Base Plan Upgrades whose nominal operating voltage level is greater than or equal to 300 kV, X shall be 100%.

      c. For all other Base Plan Upgrades whose nominal operating voltage level is less than or equal to 100 kV, X shall be 0%.

   ii. (100-X)% of the annual transmission revenue requirement associated with the portion of the Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement and recovered through the Base Plan Zonal Charge as follows:

      a. For Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010, this portion of the annual transmission revenue requirement for Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement.
Requirement of specific Zones based on the Zones’ share of the incremental positive MW-mile benefits as computed in Section 4 of Attachment S to this Tariff. Each Zone with a benefit of at least 10 MW-miles from a given Base Plan Upgrade shall be allocated a portion of the Base Plan Zonal Annual Transmission Revenue Requirement for such upgrade based on its incremental positive MW-mile benefit divided by the sum of the incremental positive MW-mile benefits for all of those Zones with a benefit of at least 10 MW-miles from the upgrade, provided that such allocation represents an engineering and construction cost of at least $100,000.

b. For all other Base Plan Upgrades, this portion of the annual transmission revenue requirement for Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement of the Zone in which the Base Plan Upgrade is located.

4. If the Base Plan Upgrade cost eligible for cost allocation under Section III.B.1 of Attachment J is a) associated with a new or changed Designated Resource that is a wind generation plant and b) the Base Plan Upgrade is located within a zone(s) other than the Transmission Customer’s Point of Delivery, then:

i. Y% of the annual transmission revenue requirement associated with the Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Region-wide Annual Transmission Revenue Requirement and recovered through the Base Plan Region-wide Charge, where Y shall be set as follows:
a. For Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010 or whose nominal operating voltage level is less than 300 kV, $Y$ shall be 67%.

b. For all other Base Plan Upgrades $Y$ shall be 100%.

ii. $(100-Y)\%$ of the annual transmission revenue requirement associated with the Base Plan Upgrade costs eligible for cost allocation shall be directly assigned to the Transmission Customer.

B. Conditions for Classifying Service Upgrade Costs Associated with Designated Resources As Base Plan Upgrade Costs Eligible for Cost Allocation

1. Except as provided in Section III.A.1 and subject to the limits and rules set forth in Subsections d and f below, the costs of...
iii. The five-year commitment period for the new or changed Designated Resource may be waived if: (i) the associated Service Upgrade costs are significantly less than the Safe Harbor Cost Limit; or (ii) the associated Service Upgrades provide benefits to other Transmission Customers that would offset in less than five years any costs allocated to them as a result of the upgrade being classified as a Base Plan Upgrade.

iv. If a request for a waiver is received by the Transmission Provider based upon other circumstances, such waiver request shall also be considered pursuant to the waiver process described in Section III.C.1. of this Attachment.

If the costs of the Service Upgrade(s) required for a new or changed Designated Resource are not eligible for classification as Base Plan Upgrade costs, the Transmission Customer may nevertheless request the construction of such upgrades. In such event, the costs of such upgrades shall be allocated in accordance with Attachment Z1 to this Tariff.

D. Review of Base Plan Allocation Methodology

1. The Transmission Provider shall review the reasonableness of the regional allocation methodology and factors (X% and Y%) and the zonal allocation methodology at least once every three years in accordance with this Section III.D. The Transmission Provider and/or the Regional State Committee may initiate such review at any time. Any change in the regional allocation methodology and factors or the zonal allocation methodology shall be filed with the Commission.
2. For each triennial review, the Transmission Provider shall determine the cost allocation impacts of the Base Plan Upgrades to each pricing Zone within the SPP Region. The Transmission Provider in collaboration with the Regional State Committee shall determine the cost allocation impacts pursuant to the guidelines specified in Section VI(4)(f) of Attachment O.

3. The Transmission Provider shall review the results of the cost allocation analysis with SPP’s Regional Tariff Working Group, Markets and Operations Policy Committee, and the Regional State Committee. The Transmission Provider shall publish the results of the cost allocation impact analysis and any corresponding presentations on the SPP website.

4. The Transmission Provider shall request the Regional State Committee provide its recommendations, if any, to adjust or change the costs allocated under this Attachment J if the results of the analysis show an imbalanced cost allocation in one or more Zones.

i) One year prior to each three-year planning cycle (starting in 2013) the Market and Operations Policy Committee and Cost Allocation Working Group will define the analytical methods to be used to report and suggest adjustments to the Regional State Committee and Board of Directors on any imbalanced zonal cost allocation in the SPP footprint; and

ii) Starting in 2015, any member company that feels that it has an imbalanced cost allocation may request relief through the Markets and Operations Policy Committee. The Markets and Operations
Policy Committee endorsement would go to the Regional State Committee and Board of Directors for review.

5. In accordance with the SPP Bylaws, the SPP Board of Directors will initiate the appropriate actions, including any necessary filings with the Commission, to implement the Regional State Committee recommendations.

IV. Approved Balanced Portfolios

One hundred percent (100%) of the annual transmission revenue requirement for an approved Balanced Portfolio shall be recovered through the Region-wide Charge.

A. Reallocation of Zonal Revenue Requirements for Deficient Zone(s)

For an approved Balanced Portfolio, the balance may have been achieved by transferring a portion of the Base Plan Zonal Annual Transmission Revenue Requirement and/or the Zonal Annual Transmission Revenue Requirement (“Reallocated Revenue Requirements”) from the deficient Zone(s) to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement in accordance with Section IV.7.c of Attachment O to this Tariff.

1. Implementation of Reallocated Revenue Requirements

The initial reallocation of the Reallocated Revenue Requirements from the deficient Zone(s) to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement shall occur when at least 10% of the estimated levelized annual transmission revenue requirements for the approved Balanced Portfolio has been included in rates under the Tariff (the “Trigger Date”).

On the Trigger Date and on the anniversary of the Trigger Date in each of the subsequent four years, 20% of the Reallocated Revenue Requirements required to balance the portfolio for the deficient Zone(s), as estimated in accordance with Section IV.7.c of Attachment O to this Tariff, shall be reallocated to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement. However, if all the upgrades in the
ATTACHMENT O

TRANSMISSION PLANNING PROCESS

The Transmission Provider’s transmission planning process is an open process. New transmission facilities or increases in physical transmission ratings can come from six different areas of the Tariff. These areas are: 1) transmission service requests; 2) Generation Interconnection Service requests; 3) upgrades needed to satisfy reliability criteria (reliability upgrades); 4) upgrades that provide economic benefits as part of a Balanced Portfolio; 5) upgrades that are identified through the high priority study process (high priority upgrades) that are not included in a Balanced Portfolio; and 6) upgrades that do not fit these other categories (Sponsored Upgrades). Each of these sources of upgrades has its own evaluation and approval process. The results from all these sources are collected and reported in the annual SPP Transmission Expansion Plan which gives a ten (10) year projection of transmission changes in the SPP Region. The SPP Transmission Expansion Plan, as endorsed by the Markets and Operations Policy Committee, is presented to the SPP Board of Directors once a year for their review and approval, as required in accordance with Section VII of this Attachment O. The SPP Board of Directors may modify reliability upgrades, upgrades that are part of approved Balanced Portfolios, or high priority upgrades in the SPP Transmission Expansion Plan throughout the year in accordance with Section VII of this Attachment O. Projects associated with transmission service requests and Generation Interconnection Service requests and Sponsored Upgrades are also added throughout the year as Service Agreements and interconnection agreements are executed.
The Annual Transmission Planning Process

Upgrades from Transmission Requests
(Sections 19, 32 and Attachment Z)
(Section I)

Upgrades from LGIP
(Attachment V)
(Section II)

Reliability (Section III) and Economic (Section IV) Upgrades

Initial Planning Model

Analysis of Transmission System and Identification of Economic Projects
(Section VI)

Projects Approved by SPP BOD
(Section VII)

R&E Projects Endorsed by Stakeholder Working Groups

Economic Projects Endorsed by SPP BOD
(Section VII)

Reviewed by “Out of Cycle”

Reviewed by Stakeholder Working Groups

Endorsed by BOD

Financial Commitment By Requesting Entity

Annual SPP Transmission Expansion Plan
(Section VIII)

Issued by: Heather H. Starnes, Manager, Regulatory Policy

Issued on: April 19, 2010

Effective: June 19, 2010
e) The reliability studies shall accommodate and model the specific long-term firm transmission service of the Transmission Customers with Service Agreements under the Tariff and specific interconnections of Generation Interconnection Customers with interconnection agreements under the Tariff, where such Service Agreements and interconnection agreements are either executed or filed unexecuted with the Commission. The reliability studies shall also accommodate and model all upgrades that have been approved for construction in accordance with Section VIII of this Attachment O.
2) Economic Assessment

   a) The Transmission Provider shall perform an economic assessment as part of the planning process described in Section VI.4.e of this Attachment O.

   b) The economic assessment shall be based on the most current planning model(s) and shall address:
      i) Congestion within the SPP Region;
      ii) Congestion between the SPP Region and other regions and balancing areas.

3) High Priority Studies

   a) The Transmission Provider shall perform high priority studies in accordance with this Attachment O and the Transmission Network Economic Modeling & Methods manual which shall be maintained on the SPP website.

   b) Potential Balanced Portfolios, as developed through the process specified in Sections IV.4 through IV.7, shall be considered to be high priority studies.

   c) The stakeholders may request high priority studies, including a request for the Transmission Provider to study potential upgrades or other investments necessary to integrate any combination of resources, whether demand resources, transmission, or generation, identified by the stakeholders. Annually, the costs of up to three high priority studies requested by the stakeholders and performed by the Transmission Provider shall be recovered pursuant to Schedule 1-A of this Tariff. A high priority study of a potential Balanced Portfolio initiated by the Transmission Provider will not be considered a stakeholder request pursuant to this Section IV.3.c.

   d) The Transmission Provider, in consultation with the stakeholders, shall develop the scope for each high priority study and post the scope(s) on the SPP website.

   e) Each study shall include:
      i) Quantification of benefits and costs in accordance with this Attachment O and the Transmission Network Economic Modeling and Methods manual; and
      ii) An analysis of the sensitivity of the economics of the upgrades included in the high priority study to changes in assumptions.

   f) The Transmission Provider shall solicit input from the stakeholders and the Regional State Committee regarding the appropriate sensitivity analyses to be performed.

   g) For each high priority study the Transmission Provider shall publish a report, including but not limited to, the study input assumptions, the estimated cost of the upgrades, any third party impacts, the expected economic benefits of the upgrades, and identify reliability impacts, if any, of the upgrades. The report and related studies and the criteria, assumptions and data underlying the report shall be posted on the SPP website, with password protected access if required to preserve the confidentiality of information in accordance with the provisions of the Tariff and the SPP Membership Agreement and to address Critical Energy
Infrastructure Information (CEII) requirements. The CEII compliant redacted version of the report shall be posted on the SPP website. The redacted version shall include instructions for acquiring the complete version of the report.

h) The Transmission Provider may recommend, based on the results of a high priority study, a high priority upgrade for inclusion in the SPP Transmission Expansion Plan in accordance with Section VI.

4) Identification of Potential Economic Upgrades

The Transmission Provider shall solicit suggestions of potential economic upgrades as outlined in the study scope. The Transmission Provider may also suggest potential economic upgrades. The Transmission Provider shall post the list of all potential economic upgrades on the SPP website, subject to confidentiality requirements. Suggestion of potential economic upgrades does not require the submission of a specific request for transmission service or for interconnection service.

5) Screening Analysis of Potential Economic Upgrades

a) The Transmission Provider shall perform a screening analysis of the potential economic upgrades.

b) To perform the screening analysis, the Transmission Provider shall estimate the cost and the benefit of each potential economic upgrade.

c) The screening analysis shall establish a relative ranking of all potential economic upgrades based on the ratio of the estimated benefit to the estimated cost.

d) The Transmission Provider shall post a list of all of the potential economic upgrades screened and the results of the screening analysis, including their relative rankings, on the SPP website.

e) The Transmission Provider shall discuss the results of the screening analysis with the stakeholder working groups and with stakeholders at a planning summit or web conference.
d) The Transmission Provider shall make a comprehensive presentation of the viable potential solutions to the stakeholder working groups and at a planning summit meeting or web conference. The presentation shall include a discussion of the Transmission Provider and stakeholder alternatives considered and reasons for choosing the particular solutions.

e) The Transmission Provider shall solicit feedback on the solutions from the stakeholder working groups and through the stakeholders attending the various planning summits. The Transmission Provider will also include feedback from stakeholders through other meetings, teleconferences, web conferences and via email or secure web-based workspace.

f) The Transmission Provider shall review proposed solutions that reduce congestion or provide other economic benefits to the region. The screening analysis and inclusion of these solutions shall be performed in accordance with Section IV of this Attachment O.

g) In addition, the Transmission Provider shall consider the costs and benefits in selecting the potential solutions. The benefits related to each potential solution shall be calculated pursuant to the following guidelines:


ii) The financial modeling time frame for the analysis shall be 40 years (with the last 20 years provided by a terminal value).

iii) The analysis shall include quantifying the benefits resulting from dispatch savings, loss reductions, avoided projects, reduction in carbon emissions, reduction in required operating reserves, interconnection improvements, congestion reduction, and other benefit metrics developed by the ESWG.

iv) Special care must be taken to identify and possibly quantify the benefits from reliability improvements of the transmission system.

v) The benefit analysis scope shall include different scenarios to analyze sensitivities to load forecasts, wind generation levels, fuel prices, carbon prices, and other relevant factors. The CAWG and ESWG should guide the development of these scenarios.

vi) The benefit analysis shall assess both regional costs and benefits for the SPP Region and the net cost-benefit of each scenario on a zonal and by state basis.

vii) The benefit analysis shall assess the net impact of the transmission plan, developed in accordance with Attachment O, on a typical residential customer within the SPP Region and on a $/kWh basis.
5) Development of the Recommended SPP Reliability Projects, Balanced Portfolios, and High Priority Upgrades

a) Upon completion of the analysis, studies and stakeholder review and comment on the results in accordance with Sections III and IV of this Attachment O, the Transmission Provider shall prepare a draft list of all projects for review by the stakeholders. The Transmission Provider shall post the draft project list on the SPP website.

b) Upon posting of the draft project list, the Transmission Provider shall invite written comments to be submitted to the Transmission Provider.

c) The Transmission Provider shall review the draft project list with the stakeholder working groups and the Regional State Committee.

d) Considering the input from the stakeholders through this review process, the Transmission Provider shall prepare a recommended list of upgrades within proposed Balanced Portfolios, proposed reliability upgrades, and proposed high priority upgrades for review and approval.


a) The Transmission Provider shall disclose planning information, which includes the proposed list of upgrades and the underlying studies, by providing:
   i) All stakeholders equal access, notice and opportunity to participate in planning summits, the stakeholder working group meetings and the sub-regional planning meetings as well as any associated web conferences or teleconferences as set forth in Section III of this Attachment O; and
   ii) For the contemporaneous availability of such meeting handouts on the SPP website.
b) The related study results, criteria, assumptions and data underlying the studies used to develop the list of upgrades within proposed Balanced Portfolios, proposed reliability upgrades, and proposed high priority upgrades shall be posted on the SPP website, with password protected access if required to preserve the confidentiality of information in accordance with the provisions of the Tariff and the SPP Membership Agreement and to address CEII requirements. Additionally, Transmission Owner specific local plans and criteria shall be accessible via an electronic link on the SPP website in accordance with Section IX of this Attachment O. The CEII compliant redacted version of the SPP Transmission Expansion Plan and individual Transmission Owner specific local plans shall be posted on the SPP website. Redacted versions shall include instructions for acquiring the complete version of the SPP Transmission Expansion Plan and individual Transmission Owner specific local plans. An electronic link shall be provided on the SPP website by which stakeholders may send written comments on the SPP Transmission Expansion Plan and Transmission Owner specific local plans and criteria.

VII. The SPP Transmission Expansion Plan

The SPP Transmission Expansion Plan shall be a comprehensive listing of all transmission projects in the SPP for the ten year planning horizon. Projects included in the SPP Transmission Expansion Plan are: 1) upgrades required to satisfy requests for transmission service; 2) upgrades required to satisfy requests for generation interconnection; 3) approved reliability projects; 4) upgrades within approved Balanced Portfolios; 5) approved high priority upgrades; and 6) endorsed Sponsored Upgrades. A specific endorsed Sponsored Upgrade will be included in the Transmission System planning model upon execution of a contract that financially commits a Project Sponsor to such upgrade or when such upgrade is otherwise funded pursuant to the Tariff. To be included in the SPP Transmission Expansion Plan, each project must have been endorsed or approved through its proper process.
1) Approval and Endorsement Process

a) The Markets and Operations Policy Committee shall make a recommendation regarding the approval of reliability upgrades. Approval by the SPP Board of Directors is required for the inclusion of reliability upgrades in the SPP Transmission Expansion Plan.

b) The Markets and Operations Policy Committee shall make a recommendation regarding the inclusion of a proposed Balanced Portfolio in the SPP Transmission Expansion Plan. Approval by the SPP Board of Directors is required for inclusion of a Balanced Portfolio in the SPP Transmission Expansion Plan. SPP is not required to have a Balanced Portfolio each year.

c) The Markets and Operations Policy Committee shall make a recommendation regarding the approval of a high priority upgrade recommended by the Transmission Provider. Approval by the SPP Board of Directors is required for the inclusion of a high priority upgrade in the SPP Transmission Expansion Plan.

d) The Markets and Operations Policy Committee shall make a recommendation regarding endorsement of a proposed Sponsored Upgrade. Endorsement by the SPP Board of Directors is required for the inclusion of a Sponsored Upgrade in the SPP Transmission Expansion Plan.

e) The list of projects shall be posted on the SPP website by the Transmission Provider. The Transmission Provider shall, in addition to the posting, e-mail notice of such posting to the stakeholders at least ten days prior to a meeting at which the SPP Board of Directors is expected to take action on accepting or modifying the list.

f) The list of approved reliability upgrades, upgrades within approved Balanced Portfolios, approved high priority upgrades, and endorsed Sponsored Upgrades may be modified throughout the year by the SPP Board of Directors provided that such action shall be posted and noticed pursuant to this section.

Issued by: Heather H. Starnes, Manager, Regulatory Policy

Issued on: April 19, 2010

Effective: June 19, 2010
g) The SPP Transmission Expansion Plan shall be presented to the SPP Board of Directors at least once a year. Approval of the Balanced Portfolios, reliability upgrades, and high priority and the endorsement of the other projects contained in the SPP Transmission Expansion Plan by the SPP Board of Directors shall certify a regional plan for meeting the transmission needs of the SPP Region.

2) Updates to the SPP Transmission Expansion Plan

a) Modifications to the SPP Transmission Expansion Plan may be made between the annual approvals as required to maintain system reliability and to meet new business opportunities as they are identified.

b) The Transmission Provider shall work with the stakeholders on an on-going basis throughout the year analyzing any newly identified issues and incorporating any necessary adjustments to the SPP Transmission Expansion Plan on an out of cycle basis.

c) On a quarterly basis, the Transmission Provider shall post any modifications to the SPP Transmission Expansion Plan on the SPP website.

d) The modifications shall be reviewed by the stakeholders and the Regional State Committee, endorsed by the stakeholder working groups, and approved or endorsed by the SPP Board of Directors, in accordance with Sections VI.5 and VII of this Attachment O, respectively.

3) Removal of an Upgrade from the SPP Transmission Expansion Plan.

The Transmission Provider, in consultation with the stakeholders in accordance with Sections VI.5 and VII of this Attachment O, may remove an upgrade from an approved SPP Transmission Expansion Plan. A Transmission Owner that has incurred costs related to the removed upgrade shall be reimbursed for any expenditure pursuant to Section VIII of Attachment J to the Tariff.

4) Status of Upgrades Identified in the SPP Transmission Expansion Plan

a) The Transmission Provider shall track the status of planned system upgrades to ensure that the projects are built in time or that acceptable mitigation plans are in place to meet customer and system needs.

b) On a quarterly basis, at a minimum, the Transmission Provider shall:
   i) Report to the Markets and Operations Policy Committee, the Regional State Committee and the SPP Board of Directors on the status of the upgrades identified in the SPP Transmission Expansion Plan; and
   ii) Post the status of the upgrades on the SPP website.
EXHIBIT NO. SPP-3

Tariff Sheets (Redlined)
1.3g **Base Plan Upgrades:** Those upgrades included in and constructed pursuant to the SPP Transmission Expansion Plan in order to ensure the reliability of the Transmission System. Base Plan Upgrades shall also include those Service Upgrades required for new or changed Designated Resources to the extent allowed for in Attachment J to this Tariff. **Base Plan Upgrades shall also include high priority upgrades, excluding Balanced Portfolios, that are approved for construction by the SPP Board of Directors.** For Zones 1 through 15, all such upgrades shall specifically exclude planned Transmission System facilities identified in the SPP Transmission Expansion Plan that are: (i) placed in service during the 2005 calendar year or (ii) required to be in service to meet the SPP Criteria and the NERC Reliability Standards for the summer of 2005. For Zones 16, 17, and 18, all such upgrades shall specifically exclude planned Transmission System facilities in those zones identified in the SPP Transmission Expansion Plan Report (2009 – 2018) that are required to be in service to meet the SPP Criteria and the NERC Reliability Standards for the summer of 2008 or which are in operation prior to January 1, 2009, except for those upgrades that are in service prior to January 1, 2009 and are components of Phase 1 of the NPPD 345kV Norfolk to Lincoln (ETR) project or OPPD Sub 1255/3455 Transformer project. Network Upgrades that are components of Phase 1 of the NPPD 345kV Norfolk to Lincoln (ETR) project or OPPD Sub 1255/3455 Transformer project that are in service prior to January 1, 2009 will be Base Plan Upgrades, however, the Zonal component of the costs shall be 100% allocated to the respective host zone.

1.3h **Base Plan Zonal Annual Transmission Revenue Requirement:** For each Zone, the sum of the annual transmission revenue requirement for each Base Plan Upgrade and of the Accredited Revenue Requirement(s), if any, that are allocated to the Zone in accordance with Attachments J and S to this Tariff.

1.3i **Base Plan Zonal Charge:** Zonal component of the charge assessed by the Transmission Provider in accordance with Schedule 11 to recover the revenue requirement of facilities classified as Base Plan Upgrades.
1.3j **Base Plan Zonal Load Ratio Share:** Ratio of a Network Customer's or Transmission Owner’s Resident Load in a Zone to the total load in that Zone.
ATTACHMENT H
Annual Transmission Revenue Requirement For Network Integration Transmission Service

SECTION I: General Requirements

1. The Zonal Annual Transmission Revenue Requirement within each Zone for purposes of determining the charges under Schedule 9, Network Integration Transmission Service, is specified in Column (3) of Table 1. The Base Plan Zonal Annual Transmission Revenue Requirement used to determine the zonal charges under Schedule 11 for Base Plan Upgrades issued a Notification to Construct (NTC) prior to June 19, 2010 is specified in Column (4) of Table 1. The Base Plan Zonal Annual Transmission Revenue Requirement used to determine the zonal charges under Schedule 11 for Base Plan Upgrades issued an NTC on or after June 19, 2010 is specified in Column (5) of Table 1. The amount of Zonal Annual Transmission Revenue Requirement and Base Plan Zonal Annual Transmission Revenue Requirement that is included in Columns (3), (4), and (5) and reallocated to the Region-wide Annual Transmission Revenue Requirement, in accordance with Attachment J, is specified in Column (56) of Table 1.

Table 1

<table>
<thead>
<tr>
<th>(1) Zone</th>
<th>(2)</th>
<th>(3) Zonal ATRR</th>
<th>(4) Base Plan Zonal ATRR</th>
<th>(5) Base Plan Zonal ATRR after June 19, 2010</th>
<th>(56) ATRR Reallocated to Balanced Portfolio Region-wide ATRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>American Electric Power –West (Total)</td>
<td>$151,662,031</td>
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<td>$0</td>
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<tr>
<td></td>
<td>American Electric Power (Public Service Company of Oklahoma and Southwestern Electric Power Company) See Section II.3</td>
<td>$147,162,500</td>
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<td></td>
<td>East Texas Electric Cooperative, Inc.</td>
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<td>Tex-La Electric Cooperative of Texas, Inc.</td>
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<td>Deep East Texas Electric Cooperative, Inc.</td>
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<tr>
<td></td>
<td>Oklahoma Municipal Power Authority</td>
<td>$748,647</td>
<td></td>
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</tbody>
</table>

Issued by: Heather H. Starnes, Manager, Regulatory Policy

Issued on: April 19, 2010  Effective:  June 19, 2010
<table>
<thead>
<tr>
<th></th>
<th>Company/Rights Authority</th>
<th>Shares Held</th>
<th>Dividends</th>
<th>Capital Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>City Utilities of Springfield, Missouri</td>
<td>$8,651,509</td>
<td>($5,500)</td>
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</tr>
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<td>4</td>
<td>Empire District Electric Company</td>
<td>$14,075,000</td>
<td>($18,001)</td>
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<tr>
<td>5</td>
<td>Grand River Dam Authority (Est.)</td>
<td>$24,589,256</td>
<td>($92,135)</td>
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<tr>
<td>6</td>
<td>Kansas City Power &amp; Light Company</td>
<td>$32,883,232</td>
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<td>7</td>
<td>Oklahoma Gas &amp; Electric (Total)</td>
<td>$81,151,489</td>
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<td>8</td>
<td>Midwest Energy, Inc.</td>
<td>$4,197,347</td>
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<tr>
<td>9</td>
<td>KCP&amp;L Greater Missouri Operations Company</td>
<td>$30,055,990</td>
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<td>10</td>
<td>Southwestern Power Administration</td>
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<td>Southwestern Public Service</td>
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<td>Sunflower Electric Corporation</td>
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<td>Westar Energy, Inc. (Kansas Gas &amp; Electric and Westar Energy)</td>
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<td>15</td>
<td>Mid-Kansas Electric Cooperative (Total)</td>
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<td>Mid-Kansas Electric Cooperative</td>
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<tr>
<td>15b</td>
<td>ITC Great Plains</td>
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<tr>
<td>16</td>
<td>Lincoln Electric System</td>
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<td>17</td>
<td>Nebraska Public Power District</td>
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<td>18</td>
<td>Omaha Public Power District</td>
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<tr>
<td>19</td>
<td>Total</td>
<td></td>
<td></td>
<td>$0</td>
</tr>
</tbody>
</table>
2. For the purposes of determining the Region-wide Charges under Schedule 11, the Region-wide Annual Transmission Revenue Requirement, as shown in Line 3-5 of Table 2, shall be the sum of (i) the Base Plan Region-wide Annual Transmission Revenue Requirement, and (ii) the total Balanced Portfolio Region-wide Annual Transmission Revenue Requirements.

| Table 2 |
|---|---|
| 1 | Base Plan Region-wide ATRR (NTC prior to June 19, 2010) | $20,492,017 |
| 2 | Base Plan Region-wide ATRR (NTC on or after June 19, 2010) |  |
| 23 | Total Balanced Portfolio Region-wide ATRR Total, Column (56), Table 1 | $0 |
| 2a4 | Balanced Portfolio Region Wide ATRR | $1,175,607 |
| 35 | Region-wide ATRR (Line 1 + Line 2 + Line 3 + Line 2a4) | $21,667,624 |

3. The revenue requirements stated in this Attachment H shall not be changed absent a filing with the Commission, accompanied by all necessary cost support.

4. New or amended revenue requirements in this Attachment H shall not be filed with the Commission by the Transmission Provider unless such revenue requirements have been provided by or for a Transmission Owner. Such revenue requirements shall have been accepted or approved by the applicable regulatory or governing authority except in the event of a simultaneous filing with the Commission by the Transmission Owner and Transmission Provider.

5. If a Transmission Owner has a Commission approved formula rate, the successful completion of its approved annual formula rate update procedures shall constitute regulatory acceptance sufficient to authorize the Transmission Provider to file with the Commission to update that Transmission Owner’s revenue requirements. The Transmission Provider shall follow any special procedures related to updating a Transmission Owner’s revenue requirements as outlined in Section II of this Attachment.

6. The Transmission Provider shall allocate the accepted or approved revenue requirement associated with a Base Plan Upgrade, in accordance with Attachment J to this Tariff, to the Base Plan Region-wide Annual Transmission Revenue Requirement in Table 2 above and to the appropriate Base Plan Zonal Annual Transmission Revenue Requirements in Column (4) or (5) as appropriate of Table 1 above.
ATTACHMENT J

Recovery Of Costs Associated With New Facilities

I. Direct Assignment Facilities
Where a System Impact and/or Facilities Study indicates the need to construct Direct Assignment Facilities to accommodate a request for Transmission Service, the Transmission Customer shall be charged the full cost of such Direct Assignment Facilities. Such costs shall be specified in a Service Agreement.

II. Network Upgrades
Where applicable the costs of completed Network Upgrades shall be allocated as specified in Sections III, IV and V of this Attachment. The revenue requirements of Base Plan Upgrades and approved Balanced Portfolios will be recovered through Schedule 11, subject to filing such rate or revenue requirements with the Commission, and where applicable Directly Assigned Upgrade Costs. These costs may be recovered in whole or in part through the Base Plan Zonal Charge, Base Plan Region-wide Charge, and/or a direct assignment charge. The cost allocable to each of these charges shall be determined in accordance with Section III of this Attachment. The revenue requirements for other Network Upgrades may be recovered by Transmission Owners through Schedules 7, 8, and 9 subject to their filing such rate or revenue requirements with the Commission.

III. Base Plan Upgrades
A single Base Plan Upgrade is comprised of any upgrade or group of upgrades required to be made to a single transmission circuit, where a transmission circuit is comprised of all load carrying elements load carrying between circuit breakers or the comparable switching devices. A load carrying element within a Base Plan Upgrade that is connected at two different voltage levels (e.g. a 345kV/138kV transformer) shall, for the purposes of this Attachment J, be considered to have a nominal operating voltage of its lower voltage level (excluding any tertiary windings) and its costs shall be allocated in accordance with the rules governing the lower voltage level in this Attachment J.
A. Allocation of Base Plan Upgrade Costs Eligible for Cost Allocation
   1. If the cost of a Base Plan Upgrade is less than or equal to $100,000, the annual transmission revenue requirement associated with such Base Plan Upgrade shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement of the Zone in which the Base Plan Upgrade is located.
2. If a) the Base Plan Upgrade is included in and constructed pursuant to the SPP Transmission Expansion Plan in order to ensure the reliability of the Transmission System or is an approved high priority upgrade, and the cost for that upgrade is not allocable under Section III.A.1; or b) the Base Plan Upgrade cost eligible for cost allocation under Section III.B.1 is not associated with a new or changed Designated Resource for a wind generation plant, then:

i. X% of the annual transmission revenue requirement associated with such Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Region-wide Annual Transmission Revenue Requirement and recovered through the Region-wide Charge. The initial value of where X shall be 33%.

\[ X \]

set as follows:

a. For all Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010 or whose nominal operating voltage level is less than 300 kV but greater than 100 kV, X shall be 33%.

b. For all other Base Plan Upgrades whose nominal operating voltage level is greater than or equal to 300 kV, X shall be 100%.

c. For all other Base Plan Upgrades whose nominal operating voltage level is less than or equal to 100 kV, X shall be 0%.

ii. (100-X)% of the annual transmission revenue requirement associated with such Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement and recovered through the Base Plan Zonal Charge, as follows:

a. For Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010, this portion of the annual transmission revenue requirement for Base Plan Upgrade
costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement of specific Zones based on the Zones’ share of the incremental positive MW-mile benefits as computed in Section 4 of Attachment S to this Tariff. Each Zone with a benefit of at least 10 MW-miles from a given Base Plan Upgrade shall be allocated a portion of the Base Plan Zonal Annual Transmission Revenue Requirement for such upgrade based on its incremental positive MW-mile benefit divided by the sum of the incremental positive MW-mile benefits for all of those Zones with a benefit of at least 10 MW-miles from the upgrade, provided that such allocation represents an engineering and construction cost of at least $100,000.

b. For all other Base Plan Upgrades, this portion of the annual transmission revenue requirement for Base Plan Upgrade costs eligible for cost allocation shall be allocated solely to the Base Plan Zonal Annual Transmission Revenue Requirement of the Zone in which the Base Plan Upgrade is located.
3. If the Base Plan Upgrade cost eligible for cost allocation under Section III.B.1 of Attachment J is a) associated with a new or changed Designated Resource that is a wind generation plant and b) the Base Plan Upgrade is located within the same zone as the Transmission Customer’s Point of Delivery, then:

i. X% of the annual transmission revenue requirement associated with the portion of the Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Region-wide Annual Transmission Revenue Requirement and recovered through the Base Plan Region-wide Charge. The initial value of X shall be 33%.

   a. For Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010 or whose nominal operating voltage level is less than 300 kV and greater than 100 kV, X shall be 33%.

   b. For all other Base Plan Upgrades whose nominal operating voltage level is greater than or equal to 300 kV, X shall be 100%.

   c. For all other Base Plan Upgrades whose nominal operating voltage level is less than or equal to 100 kV, X shall be 0%.

ii. (100-X)% of the annual transmission revenue requirement associated with the portion of the Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement and recovered through the Base Plan Zonal Charge as follows:

   a. For Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010, this portion of the annual transmission revenue requirement for Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue...
Requirement of specific Zones based on the Zones’ share of the incremental positive MW-mile benefits as computed in Section 4 of Attachment S to this Tariff. Each Zone with a benefit of at least 10 MW-miles from a given Base Plan Upgrade shall be allocated a portion of the Base Plan Zonal Annual Transmission Revenue Requirement for such upgrade based on its incremental positive MW-mile benefit divided by the sum of the incremental positive MW-mile benefits for all of those Zones with a benefit of at least 10 MW-miles from the upgrade, provided that such allocation represents an engineering and construction cost of at least $100,000.

b. For all other Base Plan Upgrades, this portion of the annual transmission revenue requirement for Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement of the Zone in which the Base Plan Upgrade is located.

4. If the Base Plan Upgrade cost eligible for cost allocation under Section III.B.1 of Attachment J is a) associated with a new or changed Designated Resource that is a wind generation plant and b) the Base Plan Upgrade is located within a zone(s) other than the Transmission Customer’s Point of Delivery, then:

i. Y% of the annual transmission revenue requirement associated with the Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Region-wide Annual Transmission Revenue Requirement and recovered through the Base Plan Region-wide Charge, where—The initial value of Y shall be 67%.

set as follows:
a. For Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010 or whose nominal operating voltage level is less than 300 kV, \( Y \) shall be 67%.

b. For all other Base Plan Upgrades \( Y \) shall be 100%.

ii. (100-\( Y \))% of the annual transmission revenue requirement associated with the Base Plan Upgrade costs eligible for cost allocation shall be directly assigned to the Transmission Customer.

B. Conditions for Classifying Service Upgrade Costs Associated with Designated Resources As Base Plan Upgrade Costs Eligible for Cost Allocation

1. Except as provided in Section III.A.1 and subject to the limits and rules set forth in Subsections d and f below, the costs of
iii. The five-year commitment period for the new or changed Designated Resource may be waived if: (i) the associated Service Upgrade costs are significantly less than the Safe Harbor Cost Limit; or (ii) the associated Service Upgrades provide benefits to other Transmission Customers that would offset in less than five years any costs allocated to them as a result of the upgrade being classified as a Base Plan Upgrade.

iv. If a request for a waiver is received by the Transmission Provider based upon other circumstances, such waiver request shall also be considered pursuant to the waiver process described in Section III.C.1. of this Attachment.

If the costs of the Service Upgrade(s) required for a new or changed Designated Resource are not eligible for classification as Base Plan Upgrade costs, the Transmission Customer may nevertheless request the construction of such upgrades. In such event, the costs of such upgrades shall be allocated in accordance with Attachment Z1 to this Tariff.

D. Review of Base Plan Allocation Methodology

1. The Transmission Provider shall review the reasonableness of the regional allocation methodology and factors (X% and Y%) and the zonal allocation methodology at least once every five-three years— in accordance with this Section III.D. The Transmission Provider and/or the Regional State Committee may initiate such review of the regional allocation factor and/or the zonal allocation methodology if either body determines that circumstances warrant at any time. Any change in the regional allocation methodology and factors and/or the zonal allocation methodology shall be filed with the Commission.
2. For each triennial review SPP Transmission Expansion Plan, the Transmission Provider shall determine the cost allocation impacts of the Base Plan Upgrades to each Transmission Customer pricing Zone within the SPP Region. The results will be reviewed for unintended consequences by the Regional Tariff Working Group and reported to the Markets and Operations Policy Committee and Regional State Committee. The Transmission Provider in collaboration with the Regional State Committee shall determine the cost allocation impacts pursuant to the guidelines specified in Section VI(4)(f) of Attachment O.

3. The Transmission Provider shall review the results of the cost allocation analysis with SPP’s Regional Tariff Working Group, Markets and Operations Policy Committee, and the Regional State Committee. The Transmission Provider shall publish the results of the cost allocation impact analysis and any corresponding presentations on the SPP website.

4. The Transmission Provider shall request the Regional State Committee provide its recommendations, if any, to adjust or change the costs allocated under this Attachment J if the results of the analysis show an imbalanced cost allocation in one or more Zones.

   i) One year prior to each three-year planning cycle (starting in 2013) the Market and Operations Policy Committee and Cost Allocation Working Group will define the analytical methods to be used to report and suggest adjustments to the Regional State Committee and Board of Directors on any imbalanced zonal cost allocation in the SPP footprint; and

   ii) Starting in 2015, any member company that feels that it has an imbalanced cost allocation may request relief through the Markets and Operations Policy Committee. The Markets and Operations Policy Committee and Board of Directors will review the request and make a determination whether relief is justified.
Policy Committee endorsement would go to the Regional State Committee and Board of Directors for review.

5. In accordance with the SPP Bylaws, the SPP Board of Directors will initiate the appropriate actions, including any necessary filings with the Commission, to implement the Regional State Committee recommendations.

IV. Approved Balanced Portfolios

One hundred percent (100%) of the annual transmission revenue requirement for an approved Balanced Portfolio shall be recovered through the Region-wide Charge.

A. Reallocation of Zonal Revenue Requirements for Deficient Zone(s)

For an approved Balanced Portfolio, the balance may have been achieved by transferring a portion of the Base Plan Zonal Annual Transmission Revenue Requirement and/or the Zonal Annual Transmission Revenue Requirement (“Reallocated Revenue Requirements”) from the deficient Zone(s) to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement in accordance with Section IV.7.c of Attachment O to this Tariff.

1. Implementation of Reallocated Revenue Requirements

The initial reallocation of the Reallocated Revenue Requirements from the deficient Zone(s) to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement shall occur when at least 10% of the estimated levelized annual transmission revenue requirements for the approved Balanced Portfolio has been included in rates under the Tariff (the “Trigger Date”).

On the Trigger Date and on the anniversary of the Trigger Date in each of the subsequent four years, 20% of the Reallocated Revenue Requirements required to balance the portfolio for the deficient Zone(s), as estimated in accordance with Section IV.7.c of Attachment O to this Tariff, shall be reallocated to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement. However, if all the upgrades in the
ATTACHMENT O

TRANSMISSION PLANNING PROCESS

The Transmission Provider’s transmission planning process is an open process. New transmission facilities or increases in physical transmission ratings can come from five to six different areas of the Tariff. These areas are: 1) transmission service requests; 2) Generation Interconnection Service requests; 3) upgrades needed to satisfy reliability criteria (reliability upgrades); 4) upgrades that provide economic benefits as part of a Balanced Portfolio; 5) upgrades that are identified through the high priority study process (high priority upgrades) that are not included in a Balanced Portfolio; and 56) upgrades that do not fit these other categories (Sponsored Upgrades). Each of these sources of upgrades has its own evaluation and approval process. The results from all these sources are collected and reported in the annual SPP Transmission Expansion Plan which gives a ten (10) year projection of transmission changes in the SPP Region. The SPP Transmission Expansion Plan, as endorsed by the Markets and Operations Policy Committee, is presented to the SPP Board of Directors once a year for their review and approval, as required in accordance with Section VII of this Attachment O. The SPP Board of Directors may modify reliability upgrades, and upgrades that are part of approved Balanced Portfolios, or high priority upgrades in the SPP Transmission Expansion Plan throughout the year in accordance with Section VII of this Attachment O. Projects associated with transmission service requests and Generation Interconnection Service requests and Sponsored Upgrades are also added throughout the year as Service Agreements and interconnection agreements are executed.
The Annual Transmission Planning Process

Upgrades from Transmission Requests
(Sections 19, 32 and Attachment Z)
(Section I)

Upgrades from LGIP
(Attachment V)
(Section II)

Reliability (Section III) and Economic (Section IV)
Upgrades

Requested Projects
(Section V)

Reviewed by TP “Out of Cycle”

Reviewed by Stakeholder Working Groups

Endorsed by BOD

Financial Commitment by Requesting Entity

Annual SPP Transmission Expansion Plan
(Section VIII)

Initial Planning Model

Analysis of Transmission System and Identification Of Economic Projects (Section VI)

R&E Projects Endorsed by Stakeholder Working Groups

Economic Projects Endorsed by SPP BOD (Section VII)

Reliability Projects Approved by SPP BOD (Section VII)

Reviewed by Stakeholder Working Groups

Endorsed by BOD

Financial Commitment by Requesting Entity

Annual SPP Transmission Expansion Plan
(Section VIII)

Issued by: Heather H. Starnes, Manager, Regulatory Policy
Issued on: April 19, 2010 Effective: June 19, 2010
e) The reliability studies shall accommodate and model the specific long-term firm transmission service of the Transmission Customers with Service Agreements under the Tariff and specific interconnections of Generation Interconnection Customers with interconnection agreements under the Tariff, where such Service Agreements and interconnection agreements are either executed or filed unexecuted with the Commission. The reliability studies shall also accommodate and model all upgrades within approved Balanced Portfolios and Sponsored Upgrades that have been approved for construction in accordance with Section VIII of this Attachment O.
2) Economic Assessment

   a) The Transmission Provider shall perform an economic assessment as part of the planning process described in Section VI.4.e of this Attachment O.
   b) The economic assessment shall be based on the most current planning model(s) and shall address:
      i) Congestion within the SPP Region;
      ii) Congestion between the SPP Region and other regions and balancing areas.

3) High Priority Studies

   a) The Transmission Provider shall perform high priority studies in accordance with this Attachment O and the Transmission Network Economic Modeling & Methods manual which shall be maintained on the SPP website.
   b) Potential Balanced Portfolios, as developed through the process specified in Sections IV.4 through IV.7, shall be considered to be high priority studies.
   c) The stakeholders may request high priority studies, including a request for the Transmission Provider to study potential upgrades or other investments necessary to integrate any combination of resources, whether demand resources, transmission, or generation, identified by the stakeholders. Annually, the costs of up to three high priority studies requested by the stakeholders and performed by the Transmission Provider shall be recovered pursuant to Schedule 1-A of this Tariff. A high priority study of a potential Balanced Portfolio initiated by the Transmission Provider will not be considered a stakeholder request pursuant to this Section IV.3.c.
   d) The Transmission Provider, in consultation with the stakeholders, shall develop the scope for each high priority study and post the scope(s) on the SPP website.
   e) Each study shall include:
      i) Quantification of benefits and costs in accordance with this Attachment O and the Transmission Network Economic Modeling and Methods manual; and
      ii) An analysis of the sensitivity of the economics of the upgrades included in the high priority study to changes in assumptions.
   f) The Transmission Provider shall solicit input from the stakeholders and the Regional State Committee regarding the appropriate sensitivity analyses to be performed.
   g) For each high priority study the Transmission Provider shall publish a report, including but not limited to, the study input assumptions, the estimated cost of the upgrades, any third party impacts included in the high priority study, the expected economic benefits of the upgrades, and identify reliability impacts, if any, of the upgrades. The report and related studies and the criteria, assumptions and data underlying the report shall be posted on the SPP website, with password protected access if required to preserve the confidentiality of information in accordance with the provisions of the Tariff and the SPP Membership Agreement and to address Critical Energy issues.

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Effective: June 19, 2010
Infrastructure Information (CEII) requirements. The CEII compliant redacted version of the report shall be posted on the SPP website. The redacted version shall include instructions for acquiring the complete version of the report.

h) The Transmission Provider may recommend, based on the results of a high priority study, a high priority upgrade for inclusion in the SPP Transmission Expansion Plan in accordance with Section VI.

4) Identification of Potential Economic Upgrades

The Transmission Provider shall solicit suggestions of potential economic upgrades as outlined in the study scope. The Transmission Provider may also suggest potential economic upgrades. The Transmission Provider shall post the list of all potential economic upgrades on the SPP website, subject to confidentiality requirements. Suggestion of potential economic upgrades does not require the submission of a specific request for transmission service or for interconnection service.

5) Screening Analysis of Potential Economic Upgrades

a) The Transmission Provider shall perform a screening analysis of the potential economic upgrades.

b) To perform the screening analysis, the Transmission Provider shall estimate the cost and the benefit of each potential economic upgrade.

c) The screening analysis shall establish a relative ranking of all potential economic upgrades based on the ratio of the estimated benefit to the estimated cost.

d) The Transmission Provider shall post a list of all of the potential economic upgrades screened and the results of the screening analysis, including their relative rankings, on the SPP website.

e) The Transmission Provider shall discuss the results of the screening analysis with the stakeholder working groups and with stakeholders at a planning summit or web conference.
d) The Transmission Provider shall make a comprehensive presentation of the viable potential solutions to the stakeholder working groups and at a planning summit meeting or web conference. The presentation shall include a discussion of the Transmission Provider and stakeholder alternatives considered and reasons for choosing the particular solutions.

e) The Transmission Provider shall solicit feedback on the solutions from the stakeholder working groups and through the stakeholders attending the various planning summits. The Transmission Provider will also include feedback from stakeholders through other meetings, teleconferences, web conferences and via email or secure web-based workspace.

f) In addition, the Transmission Provider shall review proposed solutions that reduce congestion or provide other economic benefits to the region. The screening analysis and inclusion of these solutions shall be performed in accordance with Section IV of this Attachment O.

g) In addition, the Transmission Provider shall consider the costs and benefits in selecting the potential solutions. The benefits related to each potential solution shall be calculated pursuant to the following guidelines:


ii) The financial modeling time frame for the analysis shall be 40 years (with the last 20 years provided by a terminal value).

iii) The analysis shall include quantifying the benefits resulting from dispatch savings, loss reductions, avoided projects, reduction in carbon emissions, reduction in required operating reserves, interconnection improvements, congestion reduction, and other benefit metrics developed by the ESWG.

iv) Special care must be taken to identify and possibly quantify the benefits from reliability improvements of the transmission system.

v) The benefit analysis scope shall include different scenarios to analyze sensitivities to load forecasts, wind generation levels, fuel prices, carbon prices, and other relevant factors. The CAWG and ESWG should guide the development of these scenarios.

vi) The benefit analysis shall assess both regional costs and benefits for the SPP Region and the net cost-benefit of each scenario on a zonal and by state basis.

vii) The benefit analysis shall assess the net impact of the transmission plan, developed in accordance with Attachment O, on a typical residential customer within the SPP Region and on a $/kWh basis.
5) Development of the Recommended SPP Reliability Projects, Balanced Portfolios, and High Priority Upgrades

   a) Upon completion of the analysis, studies and stakeholder review and comment on the results in accordance with Sections III and IV of this Attachment O, the Transmission Provider shall prepare a draft list of all projects for review by the stakeholders. The Transmission Provider shall post the draft project list on the SPP website.

   b) Upon posting of the draft project list, the Transmission Provider shall invite written comments to be submitted to the Transmission Provider.

   c) The Transmission Provider shall review the draft project list with the stakeholder working groups and the Regional State Committee.

   d) Considering the input from the stakeholders through this review process, the Transmission Provider shall prepare a recommended list of upgrades within proposed Balanced Portfolios, proposed reliability upgrades, and proposed high priority upgrades for review and approval.


   a) The Transmission Provider shall disclose planning information, which includes the proposed list of upgrades and the underlying studies, by providing:

      i) All stakeholders equal access, notice and opportunity to participate in planning summits, the stakeholder working group meetings and the sub-regional planning meetings as well as any associated web conferences or teleconferences as set forth in Section III of this Attachment O; and

      ii) For the contemporaneous availability of such meeting handouts on the SPP website.

   b) The Transmission Provider shall provide:

      i) All stakeholders equal access, notice and opportunity to participate in planning summits, the stakeholder working group meetings and the sub-regional planning meetings as well as any associated web conferences or teleconferences as set forth in Section III of this Attachment O; and

      ii) For the contemporaneous availability of such meeting handouts on the SPP website.
b) The related study results, criteria, assumptions and data underlying the studies used to develop the list of upgrades within proposed Balanced Portfolios, and proposed reliability upgrades, and proposed high priority upgrades shall be posted on the SPP website, with password protected access if required to preserve the confidentiality of information in accordance with the provisions of the Tariff and the SPP Membership Agreement and to address CEII requirements. Additionally, Transmission Owner specific local plans and criteria shall be accessible via an electronic link on the SPP website in accordance with Section IX of this Attachment O. The CEII compliant redacted version of the SPP Transmission Expansion Plan and individual Transmission Owner specific local plans shall be posted on the SPP website. Redacted versions shall include instructions for acquiring the complete version of the SPP Transmission Expansion Plan and individual Transmission Owner specific local plans. An electronic link shall be provided on the SPP website by which stakeholders may send written comments on the SPP Transmission Expansion Plan and Transmission Owner specific local plans and criteria.

VII. The SPP Transmission Expansion Plan

The SPP Transmission Expansion Plan shall be a comprehensive listing of all transmission projects in the SPP for the ten year planning horizon. Projects included in the SPP Transmission Expansion Plan are: 1) upgrades required to satisfy requests for transmission service; 2) upgrades required to satisfy requests for generation interconnection; 3) approved reliability projects; 4) upgrades within approved Balanced Portfolios; and 5) approved high priority upgrades; and 6) endorsed Sponsored Upgrades. A specific endorsed Sponsored Upgrade will be included in the Transmission System planning model upon execution of a contract that financially commits a Project Sponsor to such upgrade or when such upgrade is otherwise funded pursuant to the Tariff. To be included in the SPP Transmission Expansion Plan, each project must have been endorsed or approved through its proper process.
1) Approval and Endorsement Process

a) The Markets and Operations Policy Committee shall make a recommendation regarding the approval of reliability upgrades. Approval by the SPP Board of Directors is required for the inclusion of reliability upgrades in the SPP Transmission Expansion Plan.

b) The Markets and Operations Policy Committee shall make a recommendation regarding the inclusion of a proposed Balanced Portfolio in the SPP Transmission Expansion Plan. Approval by the SPP Board of Directors is required for inclusion of a Balanced Portfolio in the SPP Transmission Expansion Plan. SPP is not required to have a Balanced Portfolio each year.

c) The Markets and Operations Policy Committee shall make a recommendation regarding the approval of a high priority upgrade recommended by the Transmission Provider. Approval by the SPP Board of Directors is required for the inclusion of a high priority upgrade in the SPP Transmission Expansion Plan.

d) The Markets and Operations Policy Committee shall make a recommendation regarding endorsement of a proposed Sponsored Upgrade. Endorsement by the SPP Board of Directors is required for the inclusion of a Sponsored Upgrade in the SPP Transmission Expansion Plan.

e) The list of projects shall be posted on the SPP website by the Transmission Provider. The Transmission Provider shall, in addition to the posting, e-mail notice of such posting to the stakeholders at least ten days prior to the meeting at which the SPP Board of Directors is expected to take action on accepting or modifying the list.

f) The list of approved reliability upgrades, upgrades within approved Balanced Portfolios, approved high priority upgrades, and endorsed Sponsored Upgrades may be modified throughout the year by the SPP Board of Directors provided that such action shall be posted and noticed pursuant to this section.
The SPP Transmission Expansion Plan shall be presented to the SPP Board of Directors at least once a year. Approval of the Balanced Portfolios and reliability upgrades, and high priority and the endorsement of the other projects contained in the SPP Transmission Expansion Plan by the SPP Board of Directors shall certify a regional plan for meeting the transmission needs of the SPP Region.

2) Updates to the SPP Transmission Expansion Plan
   a) Modifications to the SPP Transmission Expansion Plan may be made between the annual approvals as required to maintain system reliability and to meet new business opportunities as they are identified.
   b) The Transmission Provider shall work with the stakeholders on an on-going basis throughout the year analyzing any newly identified issues and incorporating any necessary adjustments to the SPP Transmission Expansion Plan on an out of cycle basis.
   c) On a quarterly basis, the Transmission Provider shall post any modifications to the SPP Transmission Expansion Plan on the SPP website.
   d) The modifications shall be reviewed by the stakeholders and the Regional State Committee, endorsed by the stakeholder working groups, and approved or endorsed by the SPP Board of Directors, in accordance with Sections VI.5 and VII of this Attachment O, respectively.

3) Removal of an Upgrade from the SPP Transmission Expansion Plan.

   The Transmission Provider, in consultation with the stakeholders in accordance with Sections VI.5 and VII of this Attachment O, may remove an upgrade from an approved SPP Transmission Expansion Plan. A Transmission Owner that has incurred costs related to the removed upgrade shall be reimbursed for any expenditure pursuant to Section VIII of Attachment J to the Tariff.

4) Status of Upgrades Identified in the SPP Transmission Expansion Plan
   a) The Transmission Provider shall track the status of planned system upgrades to ensure that the projects are built in time or that acceptable mitigation plans are in place to meet customer and system needs.
   b) On a quarterly basis, at a minimum, the Transmission Provider shall:
      i) Report to the Markets and Operations Policy Committee, the Regional State Committee and the SPP Board of Directors on the status of the upgrades identified in the SPP Transmission Expansion Plan; and
      ii) Post the status of the upgrades on the SPP website.
EXHIBIT NO. SPP-4

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