



Southwest Power Pool, Inc.

OPERATING EFFICIENCY TASK FORCE MEETING

February 9, 2010

Via Teleconference Call

• MEETING MINUTES •

Introductions

Operating Efficiency Task Force (OETF) Chair, Dowell Hudson, with the ICT, called the teleconference to order at 3:35 p.m. There were 12 people in attendance. See the attendance list on the last page of this document.

Discussion on the Entergy and SPP response to the TRAAC proposal sent to all OETF members. (See Attachment 1)

Mr. Hudson provided an overview of the Entergy and SPP Response and specifically reviewed the *Conclusion* portion of the document with the task force. OETF members expressed concerns about the level of analysis requested of the OETF including the specific requests for information made by Entergy and SPP.

In response to the request that a joint meeting of Entergy and SPP stakeholders be arranged to discuss the initiatives in the TRAAC proposal, the OETF did not recommend that any meeting between Entergy, SPP and Entergy's stakeholders be processed through the SPC meeting protocols. Rather, the OETF suggested that Entergy and the SPP set up a meeting on or about March 15th and request that Entergy stakeholders/SPC members attend this meeting. This type of voluntary meeting would fall outside the normal SPC protocol (including the reporting requirements for such meetings) but the OETF believes this approach would expedite the discussion and prevent unneeded formalities for the suggested meeting. Cameron Warren, with Entergy Transmission, will contact Mark McCulla, Vice President Transmission Compliance for Entergy, to see if he would agree to meet before the next scheduled SPC meeting in May. Mr. Hudson agreed to discuss the meeting arrangement with Carl Monroe and Bruce Rew, both with SPP.

Discussion of Henry Thompson's proposed OETF response to the Entergy and SPP response (See Attachment 2)

A document outlining a proposal made by Henry Thompson, on behalf of the Arkansas Cities, was made available to all OETF members prior to the meeting. It recommended that Bruce Rew, Chair of the ICT SPC and Vice President of SPP Engineering, have SPP and ICT engineers prepare the answers and analysis necessary to address the SPP/Entergy questions concerning TRAAC. This proposal is based on Bruce Rew's responsibilities that cover both SPP's and

Relationship-Based • Member-Driven • Independence Through Diversity

Evolutionary vs. Revolutionary • Reliability & Economics Inseparable



Entergy's Transmission Planning groups. The proposal suggests that these two groups have unique access to the data and talent needed to prepare the required answers and analysis of the SPP and Entergy response to the TRAAC proposal.

The task force reviewed Mr. Thompson's recommendation and unanimously voted to recommend the proposal to the SPC for full adoption at either the next scheduled SPC meeting or a special meeting called by SPC members.

Since there were no additional comments or discussion, the meeting adjourned at 4:02.

Attendees:

Rick Henley, City of Jonesboro
Henry Thompson, Arkansas Cities
Seth Brown, GDS Associates
Jeff Price, Wright and Talisman
Jayme McNeil, SPWA
Dave Wilson, Arkansas Cities
Terry McKinney, Benton Utilities
Cameron Warren, Entergy
Kevin Bates, SPP
Tim Phillips, SPP ICT
Dowell Hudson, SPP ICT
Kim Gorter, SPP ICT

**Entergy and SPP Response to October 6, 2009
Stakeholder Policy Committee Recommendation
Adopting the “Proposal for the Development of the Transmission Request Advocacy
Assistance and Coordination (TRAAC) Function”**

(February 3, 2010)

The Operational Efficiency Task Force (“OETF”) was originally formed in 2007 to address seams issues between Entergy and the Southwest Power Pool (“SPP”) Regional Transmission Organization, including inconsistent load flow models, lack of synchronism in study and reservation procedures, identifying generation re-dispatch alternatives and unnecessary transactional costs for customers.¹ The OETF was eventually suspended until the Stakeholder Policy Committee (“SPC”) approved an action item on April 23, 2009, to authorize the OETF to address a “one stop shopping” proposal that had arisen in the context of current Entergy and SPP seams agreement negotiations. The OETF reconvened meetings on July 2, 2009, meeting regularly to develop a formal written proposal for the “one stop shopping” initiative, which, ultimately was developed using a phased approach. Specifically, the OETF proposed implementation of “one stop shopping” in two phases. Phase 1 would create a new function to assist customers that transact across the Entergy/SPP seam. Phase 2 would incorporate systematic changes in both the SPP and Entergy tariffs, processes, and software that would allow customers to make a single transmission service request (“TSR”) and receive a single answer for transmission requests that crossed the Entergy/SPP border.

Consistent with the proposed Phase 1 of the OETF’s approach, the “Proposal for the Development of the Transmission Request Advocacy and Assistance Coordination (“TRAAC”) Function” (“TRAAC Phase 1 Proposal”) was developed by the OETF and approved for recommendation to the SPC on September 18, 2009 [See OETF Recommendation to the ICT Stakeholder Policy Committee (issued September 18, 2009)] for the purpose of facilitating “an agreement between SPP and Entergy that authorizes the creation of an independent, customer-focused TRAAC function to enhance the ability of both SPP and Entergy stakeholders to understand the process for requesting transmission service on each party’s system and to track any such requests.” See TRAAC Phase 1 Proposal at 1. The SPC held an emergency conference call to consider the TRAAC Phase 1 Proposal on October 6, 2009, approving a motion to adopt the TRAAC Phase 1 Proposal. In accordance with the Independent Coordinator of Transmission (“ICT”) procedures for acting on SPC motions, Entergy is hereby providing a response to the TRAAC Phase 1 Proposal, which describes Phase 1 of the TRAAC function. In addition, SPP is joining in this response due to the nature of the TRAAC Phase 1 Proposal and its potential impact on each organization.

As explained below, Entergy and SPP believe that additional discussion and development of the TRAAC Phase 1 Proposal is needed before a full analysis of the potential impact on each organization can be performed and a definitive response provided by both Entergy and SPP. To facilitate the development of the TRAAC Phase 1 Proposal such that it can be fully analyzed,

¹ Stakeholder Policy Committee – Operating Efficiency Task Force; Entergy – SPP Seams Issues, draft 04-05-2007 (04/16/2007) (<http://www.spp.org/publications/Operating%20inefficiencies.pdf>).

Draft

Entergy and SPP submit this request for additional information regarding the TRAAC Phase 1 Proposal as adopted by the SPC:

1. SPP and Entergy ask the SPC to supplement or modify the current TRAAC Phase 1 Proposal with additional information or proposals regarding
 - a. The proposed organizational structure of the TRAAC function as described in the TRAAC Phase 1 Proposal (including staffing, required funding, and an example of use);
 - b. The scope of authority granted to the TRAAC function;
 - c. Any new business practices or procedures that would be necessary for implementation of the TRAAC function (including the potential impact on existing business practices or procedures for both Entergy, the ICT, and SPP); and
 - d. Any limitations that are to be placed on the TRAAC function in performing its role.

2. The TRAAC Phase 1 Proposal appears to offer assistance and benefits analogous to those that would be received from a third-party consultant to a specific subset of Entergy and SPP transmission customers (“TCs”). Limiting the offer of assistance and benefits in this manner raises issues regarding compliance with the non-discrimination principles of the Open Access Transmission Tariff (“OATT”) and the recoverability of funds expended in support of the Phase 1 of the TRAAC function. Accordingly, SPP and Entergy ask the SPC to consider the following:
 - a. How does the TRAAC Phase 1 Proposal consider these potential issues and the possibility that the TRAAC function (or something comparable) could be required across all Entergy and/or SPP seams to mitigate discrimination claims?
 - i. An analysis of the potential for preferential treatment of SPP/Entergy customers over internal SPP/Entergy customers or SPP/Entergy customers whose TSRs cross another SPP or Entergy seam as a result of the availability of the TRAAC function and its potential benefits should be provided along with the Recommendation.
 - ii. An analysis of the feasibility and cost of implementation of the TRAAC function to all SPP and Entergy customers is requested to ensure that the recommendation is appropriately evaluated.
 - b. Does the TRAAC Phase 1 Proposal consider the impact of these potential issues on the recoverability of funds expended?
 - i. A funding analysis is requested of Phase 1 of the TRAAC function. The potential for comparability issues to impact recovery of funds expended on implementation of the TRAAC Phase 1 Proposal should be considered in the above-requested funding analysis.

3. As there exists potential for additional modifications to Entergy’s TSR processes because of the assessment of the current ICT arrangement, which terminates in November of 2010, SPP and Entergy request the SPC to identify if there are any changes to current SPP, Entergy, or ICT processes that will be required to implement the TRAAC Phase 1 Proposal. More specifically, the development of these competing initiatives would likely occur over the same or successive time periods, necessitating serial revisions to the

Draft

Entergy, ICT, and SPP TSR processes. Such revisions to address simultaneous or successive initiatives and the continual state of flux into which such would cast the Entergy and SPP TSR processes will likely hinder (not facilitate) the ability of TCs to receive service. The identification of potential modifications to current SPP or Entergy processes should consider the potential for such competing modifications.

In addition, Entergy and SPP have identified issues and initiatives that may affect the implementation of the OETF's proposed Phase 2 of the "one stop shopping" initiative. Entergy and SPP request that the SPC give consideration to the current effort of the Entergy Regional State Committee to assess the following issues and initiatives relative to the expectations and development of Phase 2 of the TRAAC function and the overall "one stop shopping" initiative being considered for inclusion in the modification of the ICT function:

1. The Federal Energy Regulatory Commission ("FERC") issued an action item to the North American Energy Standards Board ("NAESB") regarding the coordination of TSRs across multiple systems. Specifically, in Order No. 890 ("Order 890") and its progeny, FERC required NAESB to develop standards and business practices to ensure that TSRs that cross multiple transmission systems are coordinated. It is unclear to Entergy and SPP if these requirements will be considered in the development and/or implementation of Phase 2 of the TRAAC function. Ultimately, Entergy and SPP will be required to coordinate TSRs across all systems impacted – not just SPP and Entergy – in various areas (from the request on OASIS through the commencement of service) including the queuing of TSRs, the processes for evaluating and responding to such TSRs, and the tendering of transmission service agreements. Therefore, we request that the SPC consider the potential impact of these prospective standards, which are much broader in scope than coordination between SPP and Entergy, on Phase 2 of the TRAAC function, its implementation, and its potential benefits.
2. It appears that Phase 2 of the TRAAC function will involve regulatory approvals as well as additional OATT and process modifications for both Entergy and SPP. It is important to note that these approvals and modifications would be required prior to implementation of the any Phase 2 functionality of the TRAAC function. When the potential for delays to the implementation of Phase 2 of the TRAAC function due to the need for regulatory approvals and OATT modifications are considered, it is clear that the timing of the implementation of the Phase 2 of the TRAAC function will likely coincide with or occur in close proximity to the implementation of seams agreement processes for Entergy and SPP and the potential modification of the ICT arrangement. The OATT and process modifications for implementation of the Phase 2 of the TRAAC function are different from those contemplated for the seams agreement and the potential modification of the ICT arrangement.

Potential modifications to the ICT arrangement are being vetted through the Entergy Regional State Committee and the scope of these modifications has not yet been determined. However, Entergy and SPP have been engaged in several months of negotiations, analyses, and development of processes necessary to execute and implement a comprehensive seams agreement as encouraged by the FERC in its September 22, 2006

Draft

Order and the Arkansas Public Service Commission in its Order No. 15 issued August 18, 2009. Entergy and SPP have not included the “one stop shopping” initiative in these seams agreement discussions at this time. Finally, it is important to note that SPP is currently analyzing its aggregate study process to streamline and enhance the efficiency of the SPP planning process. Thus, we request that the SPC include a proposed timeline for the implementation of Phase 2 of the TRAAC function, taking into account all prefatory actions such as potential OATT filings and concurrent initiatives as described above.

3. In addition to the assistance and benefits of the current TRAAC Phase 1 Proposal as described above, Phase 2 of the TRAAC function appears to offer additional, operational enhancements to a specific subset of Entergy and SPP TCs. Limiting these benefits and enhancements in this manner raises additional issues regarding compliance with the non-discrimination principles of the OATT and the recoverability of funds expended in support of the Phase 2 of the TRAAC function. A funding analysis of the implementation of Phase 2 of the TRAAC function is requested. The potential for comparability issues to impact recovery of funds expended on implementation of both phases of the TRAAC function should be considered in the above-requested funding analysis.

Conclusion

In summary, Entergy and SPP cannot provide official positions on the TRAAC Phase 1 Proposal to the SPC until the above questions and issues have been addressed and the additional information necessary for evaluation of the TRAAC Phase 1 Proposal is received. SPP and Entergy recommend that a joint meeting of Entergy and SPP stakeholders be arranged to:

1. Clarify stakeholder expectations for the TRAAC Phase 1 Proposal;
2. Discuss the aforementioned issues, complications, and initiatives and their impact on the current TRAAC Phase 1 Proposal and Phase 2 of the TRAAC function, the entire “one stop shopping” initiative, including the efforts of the Entergy Regional State Committee; and
3. Discuss the provision or response of the OETF regarding the above requested information.

Submitted via email to the OETF task force members on February 9, 2010

Whereas the Entergy/SPP response to the SPC recommendation concerning TRAAC and “One Stop Shopping” requires the SPC/OETF to utilize data and make assumptions concerning manpower and the utilization of data which is currently only available to Entergy, the SPP and the ICT and whereas Bruce Rew is Chairman of the SPC and Vice President of the SPP with transmission responsibilities within both SPP and Entergy through the ICT and whereas the questions raised concerning budget, conflict of interest, organization structure, business practices, limitations on the function role, discrimination issues, and feasibility and cost evaluations can best be addressed by the SPP/ICT; the OETF recommends that the SPC direct Chairman Bruce Rew to utilize the resources and confidential data available to him to prepare a draft response to submit for the SPC’s review and modifications to answer the Entergy/SPP comments concerning the TRAAC and “One Stop Shopping” proposal.

Henry Thompson, President

Henry H. Thompson Jr. Inc.

141 Pretti Point

Hot Springs, AR 71913

Phone 501-617-1702