Southwest Power Pool
Regional Entity

Ms. Stacy Dochoda
Regional Entity General Manager
sdochoda@spp.org

Southwest Power Pool Regional Entity
16101 La Grande, Ste 103
Little Rock, AR 72233
P 501-688-1730
F 501.821.8726

August 16, 2010 ***Via Electronic Mail***

David Cook
VP & General Counsel
North American Electric Reliability Corporation
116-390 Village Blvd.
Princeton, NJ 08540

Re: Transfer of Certain Nebraska Entities from Midwest Reliability Organization to Southwest Power Pool Regional Entity

Dear Mr. Cook:

Southwest Power Pool, Inc. in its capacity as a Regional Entity (hereinafter, "SPP RE") provides the attached report in response to your June 29, 2010 Letter regarding the request of certain utilities in the state of Nebraska to transfer their compliance registration from the Midwest Reliability Organization to SPP RE. Please feel free to contact me with any questions.

Respectfully submitted,

Stacy Dochoda

Stacy Dochoda
Regional Entity General Manager

Report of the SPP RE Regarding the Transfer of the Compliance Registration of Certain Nebraska Utilities from MRO to SPP RE

I. BACKGROUND

On December 1, 2008, Nebraska Public Power District ("NPPD") and Omaha Public Power District ("OPPD") became members of the SPP Regional Transmission Organization ("SPP RTO") and transferred operational control over their transmission facilities to SPP RTO on April 1, 2009. As part of this transfer, a number of other entities also placed their facilities under SPP's operational control. During this same period that NPPD and OPPD were finalizing plans to join the SPP RTO, these utilities, and several other entities located in Nebraska, also made a request to NERC to transfer their compliance registration from the MRO to the SPP RE for various business reasons including the potential for duplication of efforts by being part of two separate reliability organizations and to fully integrate into SPP. Because the North American Electric Reliability Corporation ("NERC") was in the process of renegotiating the delegation agreements with each regional entity and modifying its Rules of Procedures, the requests of the Nebraska Utilities to transfer compliance registration were deferred. On June 29, 2010, Mr. David Cook, VP & General Counsel of NERC, requested that SPP RE and MRO submit a report providing certain information to assist NERC in its decision on the requested transfers.

II. SPP RE RESPONSE

SPP RE's individual comments and responses to issues delineated in the June 29 Letter are set forth below.

Specific Issues Listed in the June 29 Letter

- **Issue 1:** *"Whether requesting Parties still wish to make the transfer"*

  SPP RE Response: SPP RE sent formal requests to each registered entity that had previously expressed interest in transferring its compliance registration from MRO to SPP RE. The following utilities provided formal notice of their continued intent to transfer: Nebraska Public Power District (NPPD), Hastings Utilities, Omaha Public Power District (OPPD), and the City of Grand Island (Collectively, "Nebraska Utilities").

- **Issue 2:** *"The location of the bulk power system (BPS) facilities of the Requesting Parties to be transferred in relation to the geographical and electrical boundaries of the respective regions and the benefits that would accrue to the Requesting Parties desiring a transfer"*

  SPP RE Response: Currently, the SPP RE geographic and electrical region borders the state of Nebraska. The transfers of the Nebraska Utilities to the SPP RE would cause SPP RE and MRO to each have portions of the state of Nebraska within their boundaries. Geographically, the Nebraska Utilities service

approximately 90% of the state of Nebraska. The SPP RE presently has intra-state borders in other states including but not limited to Louisiana, Texas, Missouri, and New Mexico. It is important to note that state boundaries have traditionally played little to no part in the assignment of registered entities to a specific regional entity and have no real impact on maintaining the reliability of the bulk power system. Rather, during the original assignment of registered entities to their respective regional entities in 2007, NERC generally assigned each registered entity to the reliability organization to which the registered entity was currently a member regardless of the state in which the entity was located. Thus, if the Nebraska Utilities had been a member of the SPP RTO during the original assignment in 2007, it is almost certain that they would have been registered with the SPP RE due to their membership in the SPP RTO. In fact, the Federal Energy Regulatory Commission has recognized "the potential benefits of having the same boundaries for an RTO/ISO and a Regional Entity."[1]

While SPP RE understands that any registered entity requesting a transfer is required to demonstrate the business reasons for such transfer under the proposed Rule 1208 of the NERC Rules of Procedure,[2] the obvious benefits of the instant transfer request are both quantitative and qualitative. The Nebraska Utilities' recent memberships in the SPP RTO provide for SPP to act as their Reliability Coordinator, which includes real-time interaction, monitoring and training. Thus, with the approval of the requested transfer, the Nebraska Utilities will be able to concentrate all of their efforts in one reliability area rather than split their resources between the SPP RTO activities and the MRO RE activities.

SPP RE and the SPP RTO attempt to coordinate many public activities. For example, the SPP RE Trustees' meetings and the SPP Board of Directors' meetings are held in the same location on consecutive days. The SPP RE and the SPP RTO also coordinate the SPP RE Compliance Workshops and the SPP RTO functional forums in the same location on consecutive days. Another example of this coordination is that the SPP RE attends and presents at many of the SPP technical working group meetings as part of a continuous outreach effort to the registered entities that are also members of the SPP RTO. The SPP RE undertakes this coordination in order to provide the SPP RE registrants that are also SPP RTO members the benefit of both lower travel costs and improved personnel assignments.

---

1 *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards*, Order No. 672, 2006-2007 FERC Stats. & Regs., Regs. Preambles ¶ 31,204 at P. 671 (2006).

2 *See* Petition for Approval of Revised Pro Forma Delegation Agreement, Revised Delegation Agreements with the Eight Regional Entities, and Amendments to the NERC Rules of Procedure of the North American Electric Reliability Corporation, Docket No. RR10-11 at 87 ("June 9 NERC Petition") (June 9, 2010).

Currently, the Nebraska Utilities must attend duplicate sessions at both the SPP and MRO in order to keep abreast of issues and activities and to participate in both organizations' ongoing actions. The Nebraska Utilities also are required to understand and abide by the variations in the regional criteria or standards maintained by SPP RTO, as a Reliability Coordinator, and MRO as a Regional Entity; thus, the requested transfer will benefit the Nebraska Utilities by allowing them to focus on one consistent set of requirements.

- **Issue 3:** *The impacts of the proposed transfers on other BPS users, owners, and operators*

  SPP RE Response: A transfer of registration would be required only of the utilities that elect to transfer and they would register in the SPP RE for the same functions for which they are now registered in the MRO. The other BPS users, owners and operators would not be impacted by this change in registration.

  If the requested transfer is approved, no change in the assignment of the Nebraska Utilities' Reliability Coordinator, Planning Authority, Transmission Service Provider or Interchange Authority will occur nor will any other registered entity be required to make any changes in these registrations.

  Further, as a result of the transfer of registration and SPP RE's expectation that no perceptible change will occur to the SPP RE cost structure, it is anticipated that all SPP RE current load serving entities' fees will drop by approximately 10% of the SPP RE portion of the fee that is assessed by NERC each quarter. Thus, the transfer will provide a benefit to the Nebraska Utilities as well as SPP RE's other registered entities.

- **Issue 4:** *What changes in existing arrangements would need to be made to accommodate the transfers*

  SPP RE Response: A transfer of registration would be required of each of the Nebraska Utilities. Each utility would re-register in the SPP RE for each function that is currently registered in the MRO. Changing compliance registrations is a simple and straightforward process that takes less than two weeks to complete.

- **Issue 5:** *The impacts of the proposed transfers on the current and future staffing, resources, budgets and assessments to other Load-Serving entities of each Regional Entity, including the sufficiency of SPP's staffing and resources to perform compliance monitoring and enforcement activities with respect to the registered entities to be transferred*

  SPP RE Response: Adding four (4) registered entities to the present 128 registered entities in the SPP RE region will have a minimal impact on the workload of the SPP RE staff and future staffing needs. While the SPP RE does

not have specific information concerning the compliance or event history of the Nebraska Utilities, the SPP RE is confident that the projected staffing and funding for all 2011 compliance monitoring and enforcement activities is adequate under the assumption that the compliance history of the Nebraska Utilities is reasonably equivalent to other entities of similar size and registration. Further, MRO uses the same automated data management system as the SPP RE, which will reduce training and transition issues for the Nebraska Utilities.

- **Issue 6:** *The compliance history of the Requesting Parties to be transferred from MRO*

  SPP RE Response: SPP RE does not have direct access to the compliance history of the Nebraska Utilities. Thus, MRO's response to the June 29, 2010 Letter should contain this information.

- **Issue 7:** *The manner in which pending compliance monitoring and enforcement matters concerning the Requesting Parties would be transitioned from MRO to SPP, if applicable*

  SPP RE Response: The SPP RE and the MRO RE use the same compliance database management system (CDMS) and generally the same schedules and compliance monitoring techniques for all Registered Entities. Thus, minimum changes to the Nebraska Utilities' current internal compliance procedures and programs would be required, and the SPP RE will honor all previous schedule commitments made between the MRO and the Nebraska Utilities. Any pending compliance matters can be addressed through adequate coordination between MRO and SPP RE on a case by case basis to ensure that SPP RE is fully engaged in each issue prior to the transition or, if more appropriate for a specific matter, MRO can be given the authority and responsibility to complete any open activities for the Nebraska Utilities.

- **Issue 8:** *The Amendments to Exhibit A to each Regional Entity's delegation agreement that would be necessary to achieve the transfer*

  SPP RE Response: Exhibit A of the Regional Delegation Agreement of both SPP RE and MRO will require modification to affect the transfer of the Nebraska Utilities from MRO to SPP RE. Exhibit A shows a geographical representation of each Regional Entity's footprint followed by a written explanation that provides additional detail for any areas where overlapping areas of responsibility exist between multiple regional entities. Thus, because utilities within the state of Nebraska will have utilities registered in either MRO or SPP RE after the transfer, Exhibit A will need to provide adequate detail that explains the delineation of responsibilities for each entity. A detailed map that demonstrates the geographical change within the state of Nebraska is provided as Attachment 1.

III. CONCLUSION

SPP RE is fully capable and willing to perform the functions delegated to it through the approved Regional Delegation Agreement for the Nebraska Utilities. There are no prohibitions on a utility requesting to transfer its compliance monitoring function to a different regional entity for its own business reasons. In fact, in its recent filing of the modified Delegation Agreements and Rules of Procedure with the Federal Energy Regulatory Commission, NERC submitted Rule 1208 specifically providing a process for a registered entity to transfer its compliance monitoring and enforcement registration from one Regional Entity to another.[3] Therefore, SPP RE supports the Nebraska Utilities transfer of the compliance monitoring function from the MRO to the SPP RE and will work together with the utilities, MRO and NERC to ensure a seamless transition. To the extent necessary, SPP RE is available to discuss with NERC Staff any of the matters addressed above.

[3] *See* June 9 NERC Petition at 87.