

April 18, 2014

VIA ELECTRONIC FILING

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 Nos. OA08-5-____, ER14-596-____
Annual Compliance Report Regarding Penalties for Unreserved Use

Dear Secretary Bose:

Pursuant to the requirements of Order No. 890,¹ Southwest Power Pool, Inc. (“SPP”) submits for filing an annual compliance report of assessments and distributions of operational penalties for unreserved use for the year January 1, 2013 through December 31, 2013 (“Reporting Period”). This report details the total unreserved use penalties collected from Transmission Customers² and distributed by SPP during the Reporting Period. Given SPP’s status as a Regional Transmission Organization (“RTO”), no Transmission Customer assessed a penalty for unreserved use of SPP’s Transmission System is considered an affiliate of SPP. As SPP did not assess or distribute any operational penalties associated with late studies during the Reporting Period, no such penalties are reflected in this annual compliance report.

SPP respectfully requests that the Federal Energy Regulatory Commission (“Commission”) accept this annual compliance report for filing in the dockets referenced above.

¹ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶31,241 (2007) (“Order No. 890”), *order on reh’g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007) (“Order No. 890-A”), *order on reh’g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008).

² Unless otherwise provided herein, capitalized terms have the meaning ascribed in SPP’s Open Access Transmission Tariff. *See* Southwest Power Pool, Inc., FERC Electric Tariff, Sixth Revised Volume No. 1 (“Tariff”).

I. BACKGROUND

Paragraph 472 of Order No. 890-A requires that each transmission provider report to the Commission on any unreserved use and late study penalties imposed by that transmission provider “in an annual compliance report to be submitted on or before the deadline for submitting FERC Form-1, as established by the Commission’s Office of Enforcement each year.”³ In the annual informational filings, “[t]ransmission providers must provide: (1) a summary of penalty revenue credits by transmission customer, (2) total penalty revenues collected from affiliates, (3) total penalty revenues collected from non-affiliates, (4) a description of the costs incurred as a result of the offending behavior, and (5) a summary of the portion of the unreserved penalty revenue retained by the transmission provider.”⁴ Order No. 890, specifies that the requirements for the annual compliance report applies to penalty revenues received and distributed.⁵

The Commission clarified in Order No. 890-A that the obligation of a transmission provider to make an annual compliance filing is based on a two-part process provided by the Commission. First, if the transmission provider intended to impose penalties for unreserved use of its transmission system, the transmission provider must submit to the Commission a tariff filing under Federal Power Act (“FPA”) section 205 stating the applicable penalty rate.⁶ Second, each transmission provider must submit a one-time compliance filing under FPA section 206 proposing the methodology for distributing revenues from unreserved use penalties.⁷ The Commission required that the annual compliance report should be filed under the same docket as the docket in which the proposed one-time compliance filing is submitted.⁸

In 2007, SPP proposed its applicable penalty rate in its Order No. 890 compliance filing docket,⁹ which the Commission approved upon the submission of SPP’s additional compliance filing.¹⁰ With regards to the methodology for distributing revenues from unreserved use penalties, the Commission required SPP to make its FPA section 206

³ Order No. 890-A at P 472.

⁴ Order No. 890 at P 864.

⁵ *See id.* at P 861.

⁶ *See* Order No. 890-A at P 472.

⁷ *Id.*

⁸ *Id.*

⁹ Submission of Compliance Filing Revising Tariff of Southwest Power Pool, Inc., Docket No. OA08-5-000 (Oct. 11, 2007).

¹⁰ *Sw. Power Pool, Inc.*, 126 FERC ¶ 61,244 (2009) at P 23.

filing at a later date prior to SPP's distribution of the penalties.¹¹ In late 2013, SPP proposed a distribution methodology for unreserved use penalties in Docket No. ER14-596-000,¹² which was approved by the Commission on January 14, 2014.¹³

As SPP's annual compliance report filed herein is related to both SPP's Order No. 890 compliance filing docket and its FPA 206 filing, as described above, SPP is filing this report in both dockets out of an abundance of caution to ensure compliance with the Commission's directives.

II. REPORT

SPP submits this annual compliance report regarding revenues received and distributed by SPP for the Reporting Period. As stated previously, SPP had no late study penalties during that time period. Additionally, this report does not contain information related to unreserved use penalties assessed by SPP but uncollected during the Reporting Period.¹⁴

With regard to unreserved use penalties:

(1) A summary of penalty revenue credits by transmission customer collected and distributed by SPP:

A. *Collected Unreserved Use Penalty Revenues for the Reporting Period*

SPP collected \$2,931,804.25 US Dollars in penalty revenues for unreserved use of the SPP transmission system.

¹¹ *Sw. Power Pool, Inc.*, 123 FERC ¶ 61,176 (2008) ("Compliance Order") at P 35.

¹² Compliance Filing to Implement a Distribution Mechanism for Unreserved Use Penalty Revenues of Southwest Power Pool, Inc., Docket No. ER14-596-000 (December 11, 2013).

¹³ *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER14-596-000 (Jan. 14, 2014).

¹⁴ In December 2013, SPP issued an invoice to the Midcontinent Independent System Operator, Inc. ("MISO") which included penalties for unreserved use of SPP's Transmission System. This matter is currently in settlement proceedings before the Commission in Docket Nos. EL14-21 and ER14-1174 which have been consolidated with two other dockets, EL11-34 and EL14-30; and therefore, SPP is not including any information pertaining to that matter in this filing.

B. *Distribution of Unreserved Use Penalty Revenues Collected for the Reporting Period*¹⁵

| <u>Transmission Customer</u> | <u>Distribution Share in US Dollars</u> |
|--|--|
| ARKANSAS ELECTRIC COOPERATIVE CORPORATION | 64,563.92 |
| AMERICAN ELECTRIC POWER SERVICE CORPORATION | 457,610.88 |
| ASSOCIATED ELECTRIC COOPERATIVE, INC. - POWER MARKET | 1,417.28 |
| CITY OF BENTONVILLE | 8,070.13 |
| BP WIND ENERGY NORTH AMERICA, INC. | 1,853.19 |
| CALPINE ENERGY SERVICES, L.P. | 33,717.62 |
| CITY OF CHETOPA KS | 192.22 |
| CITY OF COFFEYVILLE | 6,107.12 |
| CLECO POWER GROUP, LLC | 60.32 |
| CARGILL-ALLIANT, LLC | 4,911.36 |
| CARTHAGE WATER AND ELECTRIC PLANT | 1,075.90 |
| THE EMPIRE DISTRICT ELECTRIC COMPANY | 62,291.98 |
| CANEY RIVER WIND PROJECT LLC | 14,638.99 |
| ETC ENDURE ENERGY, L.L.C. | 3,066.39 |
| ENTERGY SERVICES, INC. | 59.77 |
| EAST TEXAS ELECTRIC COOPERATIVE, INC. | 9,094.33 |
| EXELON GENERATION COMPANY, LLC | 30,848.81 |
| NEXTERA ENERGY POWER MARKETING, LLC | 56.45 |
| FLAT RIDGE 2 WIND ENERGY, LLC | 19,497.39 |
| GRAND RIVER DAM AUTHORITY | 47,995.61 |
| CITY OF GRAND ISLAND NEBRASKA UTILITIES DEPARTMENT | 63.47 |
| GOLDEN SPREAD ELECTRIC COOPERATIVE, INC. | 59,936.15 |
| HIGGINSVILLE MUNICIPAL UTILITIES | 218.50 |
| HOPE WATER AND LIGHT COMMISSION | 3,417.08 |
| CITY OF INDEPENDENCE - POWER & LIGHT | 29,452.11 |
| J.P. MORGAN VENTURES ENERGY CORPORATION | 29.35 |
| KANSAS CITY BOARD OF PUBLIC UTILITIES | 40,488.29 |
| KANSAS CITY POWER & LIGHT COMPANY | 237,005.91 |
| KANSAS ELECTRIC POWER COOPERATIVE, INC. | 25,231.35 |
| KANSAS MUNICIPAL ENERGY AGENCY | 11,820.58 |
| KANSAS POWER POOL | 17,082.45 |

¹⁵ SPP distributed the revenues to non-offending Transmission Customers in January 2014.

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| KAW VALLEY ELECTRIC COOPERATIVE, INC. | 2,121.21 |
| LOUISIANA GENERATING LLC | 9.52 |
| LOUISIANA ENERGY AND POWER AUTHORITY | 1.32 |
| LINCOLN ELECTRIC SYSTEM MARKETING | 42,711.66 |
| CITY OF LOCKWOOD, MO | 146.23 |
| CITY OF LAFAYETTE | 177.59 |
| MACQUARIE ENERGY LLC | 501.97 |
| MONETT CITY UTILITIES | 2,733.93 |
| MIDWEST ENERGY, INC. | 18,530.56 |
| CITY OF MINDEN | 2,326.52 |
| MID-KANSAS ELECTRIC COMPANY, LLC | 25,866.27 |
| MISSOURI JOINT MUNICIPAL ENERGY UTILITY COMMISSION | 9,864.44 |
| MORGAN STANLEY CAPITAL GROUP INC. | 30.98 |
| CITY OF MT. VERNON, MO | 920.42 |
| CITY OF MULVANE, KS | 618.86 |
| NOBLE AMERICAS GAS & POWER CORP. | 324.99 |
| CITY OF NELIGH, NE | 258.24 |
| NEMAHA-MARSHALL ELECTRIC COOPERATIVE ASSOCIATION, INC. | 684.14 |
| NEBRASKA PUBLIC POWER DISTRICT | 151,850.57 |
| NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC. | 42,967.95 |
| OKLAHOMA GAS & ELECTRIC COMPANY | 336,971.69 |
| OKLAHOMA MUNICIPAL POWER AUTHORITY | 39,477.74 |
| OMAHA PUBLIC POWER DISTRICT | 144,231.26 |
| CITY OF OSAGE | 442.12 |
| PARAGOULD LIGHT & WATER COMMISSION | 1,456.40 |
| PUBLIC SERVICE COMPANY OF NEW MEXICO-MARKETING | 13.30 |
| CITY OF PRESCOTT | 872.45 |
| PUBLIC SERVICE COMPANY OF COLORADO | 64.92 |
| UNION POWER PARTNERS | 0.63 |
| POWEREX CORP. | 77.58 |
| RAINBOW ENERGY MARKETING CORPORATION | 2,432.68 |
| SUNFLOWER ELECTRIC POWER CORPORATION-PM | 26,078.70 |
| SOUTH MISS. ELECTRIC POWER ASSOC. | 21.51 |
| CITY UTILITIES OF SPRINGFIELD | 40,205.21 |
| SOUTHWESTERN PUBLIC SERVICE COMPANY | 285,373.76 |
| SOUTHERN COMPANY SERVICES, INC | 14,711.82 |
| SOUTHWESTERN POWER ADMINISTRATION | 29,831.26 |
| THE ENERGY AUTHORITY | 4,802.53 |
| TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC. | 10,228.02 |

| | |
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| TENASKA POWER SERVICE CO. | 5,723.42 |
| UTILICORP UNITED INC. | 108,622.37 |
| WESTERN AREA POWER ADMINISTRATION - UGP MARKETING | 51.80 |
| WESTERN FARMERS ENERGY SERVICES | 92,172.98 |
| WESTAR ENERGY-GENERATION SERVICES | 293,787.26 |
| Total | 2,932,173.68** |

** Total includes revenues collected plus interest

(2) Total penalty revenues collect from affiliates:

Not applicable. As an RTO, SPP does not have affiliate Transmission Customers.

(3) Total penalty revenues collected from non-affiliates:

\$2,932,173.68 US Dollars was collected from a non-affiliate Transmission Customer.

(4) A description of the costs incurred as a result of the offending behavior:

SPP did not identify any specific costs other than the administrative cost associated with calculating unreserved use penalties.

(5) A summary of the portion of the unreserved penalty revenue retained by the transmission provider:

SPP did not retain any portion of the unreserved penalty revenues collected in 2013. As shown in Section (1) above, all collected penalties for unreserved use were distributed to non-offending SPP Transmission Customers on a pro-rata basis of each customer's monthly Schedule 1-A charge consistent with SPP's accepted revenue distribution methodology.¹⁶

¹⁶ See Tariff at Section 13.7(c).

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III. CONCLUSION

SPP respectfully requests that the Commission accept this annual compliance report of penalty revenues collected and distributed by SPP in compliance with Order No. 890. Please contact the undersigned if you have any questions regarding this filing.

Respectfully submitted,

/s/ Matthew Harward

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in Docket Nos. OA08-5 and ER14-596.

Dated at Little Rock, Arkansas, this 18th day of April, 2014.

/s/ Michelle Harris
Michelle Harris