Monday, August 25, 2014  
1:00 - 5:00 p.m.  
Conference Call

1. CALL TO ORDER

2. PRELIMINARY MATTERS  
   a. Declaration of a Quorum

3. UPDATES  
   a. SPP

4. BUSINESS MEETING

5. REPORTS/PRESENTATIONS  
   a. CAWG Report……………………………………………………………………..Meena Thomas  
      This report provides an update on CAWG activity.
   b. EPA Rule 111(d).……………………………………………………………………..Lanny Nickell  
      This report will update the RSC on SPP’s efforts and activity related to EPA Rule 111(d).
   c. RARTF Update……………………………………………………………………..Butch Reeves / Antoine Lucas  
      This report will provide an update on the August RARTF meeting and next steps as well as an update on the Benefits Metrics.
   d. Update on Seams Project Task Force…………………………………….Jake Langthorn / Meena Thomas  
      This report will provide an update on the progress of the Seams Project Task Force and include an update on CAWG activity on this matter.

6. OTHER RSC MATTERS  
   a. Format of Monthly Meetings .............................................................Donna Nelson
   b. SPC Task Force (New Member Process)  
      First Meetings Scheduled for September 3rd and 15th in Oklahoma City
   c. Capacity Margin Task Force  
      First Meeting Scheduled for August 26th in Dallas

7. SCHEDULING OF NEXT REGULAR MEETINGS, SPECIAL MEETINGS OR EVENTS
   RSC Meetings:
   - September 29, 2014 – Conference Call
   - October 27, 2014 – Little Rock, AR
   - November 27, 2014 – Conference Call
   - December 29, 2014 – Conference Call
   - January 26, 2015 – Dallas, TX
   - April 27, 2015 – Tulsa, OK
   - July 27, 2015 – Kansas City, MO

8. ADJOURN
RSC Update - RARTF

August 25, 2015

Commissioner Olan Reeves
RARTF Chairman
<table>
<thead>
<tr>
<th>RARTF Members</th>
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<tr>
<td><strong>Butch Reeves</strong>, Chair</td>
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<td><strong>Richard Ross</strong>, Vice Chair</td>
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<td><strong>Shari Albrecht</strong></td>
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<td><strong>Steve Lichter</strong></td>
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<td><strong>Steve Stoll</strong></td>
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<td><strong>Phil Crissup</strong></td>
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<td><strong>Bill Grant</strong></td>
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<td><strong>Bary Warren</strong></td>
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<td><strong>Harry Skilton</strong></td>
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August 13, 2014 RARTF Agenda Topics

• Welcome and Overview

• Overview/History of the RARTF
  – RARTF Report
  – Guidance to SPP Staff During RCAR I
  – RCAR I Results
  – RARTF Lessons Learned Report

• Presentation on Status of Metrics

• Guidance to Staff on Policy Questions
  – RCAR II Study Scope Review
    ▪ Inclusion of IS in RCAR II
    ▪ NTC + 10-year (ATP) Study
    ▪ Suspended NTCs
    ▪ 111(d) – Clean Power Plan

• Tariff Changes
  – Tariff Revisions for NTC clarification
  – Draft Remedy Language per BOD guidance

• SPP Staff Work with Deficient Zones on Remedies
  – SPP Staff visit with Member zones
  – Seams Project being Review in ITP10
  – Possible Remedies (Cost Allocation reclassification of upgrades)

• RITF Scope and Responsibilities
Guidance to Staff on Policy Questions
INCLUSION OF IS IN RCAR II
Inclusion of the IS in RCAR II Analysis

• Should the Integrated System be included in the RCAR II Analysis?

– RCAR I Lesson Learned # 5 states:

“That SPP staff utilize, to the maximum extent possible, models used in ITP10 for RCAR II. Conducting the ITP10 and RCAR II processes in parallel should allow leveraging of models and promote consistency and efficiency in the model vetting process. This measure will reduce cost and help to eliminate redundancy of efforts between SPP staff and stakeholders.”

– RARTF Principle #3 and #4

  - Use Best Information Available – The Regional Cost Allocation Review should use the most up to date and best available information for the review.

  - Consistency – The Regional Cost Allocation Review should be consistent.

• Staff Recommendation is to include the IS in the RCAR II Analysis

• RARTF unanimously approved the Staff Recommendation
NTC + 10-YEAR (ATP) STUDY
NTC + 10 Year (ATP) Evaluation

• 2011 RARTF Report called for two evaluations to assess the impacts of the Highway/Byway cost allocation methodology:

1. **NTCs:** all projects that have been issued an NTC since June 2010

2. **NTCs and Projects within 10 years:** All SPP projects that have been issued an NTC18 since June 2010 and all projects that have received an Authorization to Plan (ATP) that have an in-service date of ten years or less from the year of the report.
NTC + 10 Year (ATP) Evaluation

- Since remedies would be evaluated for the NTC-only evaluation is there a need to complete the NTC + 10 year evaluation in RCAR II?
  - Additional Costs = $266,000
  - Additional Time = 2 Months
- Staff Recommends exclusion of the NTC + 10 Year (ATP) Evaluation
- RARTF unanimously approved the Staff Recommendation
SUSPENDED NTCS
Suspended NTCs

• If required, how should staff evaluate suspended NTCs during the RCAR II analysis?

• RCAR I, staff instructed to include suspended NTCs in the NTC-only study weighted at 75% for both costs and benefits
  – Additional Costs = $133,000-$266,000
  – Additional Time = 1-2 Months

• Staff Recommends modeling suspended NTCs and weight at 100%

• RARTF approved to support SPP Staff’s recommendation to value suspended NTCs at 100% unless there is a material change to the current cost of suspended NTCs – approved unanimously
  – Staff will update the RARTF on any upgrades that are suspended at all future meetings.
CLEAN POWER PLAN
Clean Power Plan 111(d)

• Should models be updated to reflect potential EPA requirements?
  – EPA’s proposed performance standards to reduce CO₂ emissions from existing fossil fuel-fired generators
  – Achieves nationwide 30% reduction of CO₂ from 2005 levels by 2030

• Final Rule expected June 2015

• State implementation plans would be due June 2016

• Planning assumptions would not be firm until June 2016

• Staff recommends using 2015 ITP10 models as basis

• RARTF unanimously approved the Staff Recommendation
RARTF Next Meeting

• September 10, 2014 - In Person – DFW Hyatt

• Topics
  – Benefit Metrics
  – RITF Scope and Responsibilities
  – Remedy Tariff Language
  – PTP Analysis
Benefit Metrics Status
RSC Meeting
August 25, 2014

Antoine Lucas
Director, Planning
Southwest Power Pool
alucas@spp.org
RARTF and 1\textsuperscript{st} RCAR Assessment

- SPP’s Open Access Transmission Tariff (Tariff or OATT) requires;
  - MOPC and RSC will define the analytical methods to be used in conducting the Regional Cost Allocation Review
- RARTF created as part of the SPP stakeholder process to develop these “analytical methods”
- Approved metrics utilized to quantify benefits that are compared to allocated costs in RCAR assessment
- First RCAR produced lessons learned to be applied in RCAR II
3.8 Benefits to be Calculated.

- When conducting the Regional Cost Allocation Review, the RARTF recommends using the list of benefits in this section to assess the benefit to cost ratio. Additionally, the Regional Cost Allocation Review should consider the use of any additional benefits that may be defined and quantified in dollar values or can be converted into dollar values by the EWSG and approved by the MOPC.
Lessons Learned Recommendations

• Recommendation #2
  – That the Economic Studies Working Group (ESWG) continues to review the benefits contained in the Metrics Task Force (MTF) Report that were approved through the SPP stakeholder process in 2012. This review should be established to provide SPP stakeholders the opportunity to offer wide-ranging improvements to the benefits contained in the MTF Report. Any changes or improvements to the benefits shall be presented to the ESWG, RARTF, MOPC, and RSC for recommendation to the BOD for approval by the July 2014 meeting cycle.
Lessons Learned Recommendations

• Recommendation #3

  - That the ESWG continue to review the benefits contained in the MTF Report that were approved through the SPP stakeholder process in 2012. This review should provide SPP stakeholders the opportunity to suggest which benefits should be included in future RCAR reports. Any changes or improvements to the benefits shall be presented to the ESWG, RARTF, MOPC, and RSC for recommendation to the BOD for approval by the July 2014 meeting cycle.
RARTF Lessons Learned & MOPC Directive

• RARTF Lessons Learned produced multiple comments related to benefit metrics calculation and allocation reevaluation

• MOPC Action Item #222
  – ESWG/TWG evaluated the calculation and allocation of benefit metrics
  – Staff retained Brattle for an independent assessment of benefit metrics methodologies
  – MOPC approved recommendations on 8 of 10 metrics
  – SPP Board approved recommendations on all 10 metrics
  – SPP Board provided approved metrics recommendations to RARTF for consideration in RCAR II
<table>
<thead>
<tr>
<th>RCAR Benefit Metrics</th>
<th>Calculated in RCAR I</th>
<th>Calculated in RCAR II</th>
<th>RCAR I Approximate Benefit ($M)*</th>
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<tr>
<td>Adjusted Production Cost (APC)</td>
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<td>Emission Rates and Values</td>
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<td>(Included in APC)</td>
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MOPC & SPP Board Approved

SPP Board Approved
Seams Project
Task Force Update
August 25, 2014

Helping our members work together to keep the lights on... today and in the future
SEAMS PROJECTS TASK FORCE
Seams Project Task Force Update

• Chartered to develop criteria for seams projects
  – These are projects that aren’t part of the Interregional Order 1000 Process

• Finalizing a policy paper which outlines seams project criteria and the study/approval process
Definitions

- New Definitions
  - Seams Project: project which has agreement on cost sharing, 100 kV and above, SPP B/C ratio of at least 1.0, provides benefit to SPP
  - Seams Partner: non-SPP transmission owner which whom SPP is considering a Seams Project
  - Regional Review Process: Process used by SPP region to regionally evaluate a Seams Project. This is separate from any interregional or joint seams evaluation
Sources of Seams Projects

• Tariff Processes
  – ITPNT, ITP10, or other SPP Tariff planning process
• Non-Order 1000 Seams Planning Process
  – Joint study via SPP-AECI Joint Operating Agreement (JOA)
  – Any other study performed as a part of a defined seams planning process
  – SPP approval through the Regional Review Process
• Joint Special Study
  – Other study between SPP and a Seams Partner
• SPP approval through the Regional Review Process
SPP Regional Review Process

• Consistent to Regional Review Process approved by SPP stakeholders for use in the Interregional Order 1000 planning process

• Used for regional review and decision on approval
  – SPP stakeholder directed
  – SPP assumptions, models, and metrics
Seams Project Criteria

• 100 kV and above
  – Tie lines or wholly within SPP or a Seams Partner
• Minimum total project cost of $5 million
• Need date within 10-years
• SPP regional B/C ratio of 1.0
  – Benefits based upon agreed-to metrics
  – Provide 5% of benefits to SPP and each Seams Partner
• Cost sharing agreement between SPP and the Seams Partner
  – Could be with more than one Seams Partner
Cost Sharing

• Cost shared between SPP and the Seams Partner(s) based on benefits
• Agreed-to metrics
• Principles used in arriving at equitable cost sharing:
  – Costs roughly commensurate with benefits
  – No cost sharing without receiving benefits
  – Transparent methodologies and identification of benefits
  – Share of benefits to SPP and its Seams Partners should be sufficient to support seams projects’ approval
Regional Cost Allocation Proposal

- Cost for Seams Projects greater than 300 kV will be recovered according to SPP’s highway/byway cost allocation methodology
- Projects less than 300 kV recovered regionally through “highway” funding
- Approved seams projects will be considered in the SPP Regional Cost Allocation Review (RCAR)
Next Steps

• Input from the RSC
• Input from CAWG
• Submit to Seams Steering Committee for approval
• CAWG response to proposed cost allocation for facilities less than 300 kV
• Submit to RSC for approval of proposed cost allocation
• Submit to MOPC and the BOD for approval
• Complete tariff language
• Complete all steps with target of October 2014
CAWG REPORT TO RSC

Seams Projects Policy Paper

- Background
- CAWG Consideration of Policy Paper
- Upcoming Relevant Activity
- SPTF recommendation on cost allocation
- Upcoming CAWG Action
Background

- The issue of cost allocation for seams projects has already been addressed by the RSC in the context of FERC Order 1000 Interregional compliance filing.
- In October 2012, the RSC, through a majority vote (5-2), approved a 100% regional allocation of costs related to interregional projects selected pursuant to interregional planning processes. New Mexico and Texas dissented.
CAWG REPORT TO RSC

Background (Continued)

- SPP filed the Order 1000 Interregional compliance filing in July 2013. FERC has not issued its decision on the compliance filing.
- Since then, the Seams Steering Committee (SSC) and member utilities have identified gaps that remained with respect to seams projects that were not addressed in SPP’s Order 1000 Interregional Compliance Filing.
- SSC Chair made a presentation on these seams projects to the RSC at the January 2014 meeting, given that the RSC will have to decide the issue of cost allocation for these seams projects.
Background (Continued)

At the January 2014 meeting, several RSC members indicated the need for more information on the criteria, parameters, and factors that would be used to evaluate non-Order 1000 seams projects before the RSC could make a decision on cost allocation for the projects.
Background (Continued)

- The Seams Project Task Force (SPTF) has been developing a policy paper delineating the project criteria and the study/approval process.
- The SPTF is scheduled to complete its work on the policy paper next month and the SSC will likely approve the policy paper at its September 9th meeting. The work on the tariff language is expected to commence shortly thereafter.
- The SPTF is seeking feedback on various aspects of the policy paper including the criteria.
CAWG REPORT TO RSC

CAWG Consideration of Policy Paper
At its August meeting, CAWG discussed the following aspects of the policy paper:

- Cost sharing of seams projects between SPP and its seams partners.
- Should the criteria include the requirement that seams projects benefit more than one SPP zone?
- Impact of any decision to 100% regionally fund byway seams projects on potential changes in future cost allocation for byway projects within the footprint.
- Inclusion of RSC in the list of stakeholder groups that will be provided an update on the regional review process.
Cost sharing between SPP and seams partners:

Should the policy paper contain a provision which would allow either SPP or its seams partner to bear more costs of the seams projects if the two parties voluntarily agree, subject to applicable approvals by SPP and seams partner, to an alternative cost sharing arrangement?

CAWG members were generally not in favor of including such a provision in the policy paper.
CAWG REPORT TO RSC

CAWG Consideration of Policy Paper (Continued)

Cost sharing between SPP and seams partners:
Will the cost sharing agreement have to be approved by the stakeholder process before it is agreed to by SPP and seams partner? No.

- The agreement on cost sharing will be negotiated and must be in place prior to any recommendation on seams project developed by MOPC or approved by the SPP Board.

- The negotiated cost sharing mechanism will be part of any recommendation on a seams project for consideration by MOPC and SPP Board.
CAWG REPORT TO RSC

CAWG Consideration of Policy Paper (Continued)

Criteria Regarding Zonal Benefits:

Should criteria for seams projects include the requirement that seams projects benefit more than one SPP zone? No.

- Most seams projects are expected to provide regional benefits.
- The byway seams facilities are often the limiting elements that constrain the full use of available capacity on higher voltage projects along the seams and restrict energy transfers at interregional seams.
- Seams zones may not have the incentive to construct and bear the full costs of such projects if other SPP zones also receive benefits.
CAWG REPORT TO RSC

CAWG Consideration of Policy Paper (Continued)

Criteria Regarding Zonal Benefits:

Should criteria include the requirement that seams projects benefit more than one SPP zone? No.

- In the instances where seams projects may benefit a single zone, the benefits could be addressed in the RCAR analysis. The issue of the appropriate benefits metrics to determine zonal allocation of benefits for seams projects has yet to be considered by the RARTF.

- A project that benefits a single zone along the seams today may provide benefits to other SPP zones in the future.
CAWG Consideration of Policy Paper (Continued)

*Impact on potential changes in future cost allocation for byway projects within the footprint:*

- The SPTF’s charter did not include consideration of any future impacts on the cost allocation for byway projects within the footprint.

- A regional cost allocation methodology for seams projects would be appropriate due to the unique qualities associated with transmission projects along the seams.
CAWG REPORT TO RSC

CAWG Consideration of Policy Paper (Continued)

Updates to RSC on the regional review process:
Should RSC be included in the list of stakeholder groups that will be provided an update on the regional review process as it is in progress?

- RSC typically receives updates on transmission planning and recommended projects.
- SPTF and SPP staff will consider adding language in the policy paper and tariff revisions that would list RSC as one of the stakeholder groups that would receive an update on the regional review process.
Upcoming Relevant Activity

- Seams projects are currently being evaluated in the ITP planning process, AECI study, and MISO study with recommendations for seams projects expected from the ITP-10 study in January 2015.
- Approved seams projects in the planning processes outlined in the seams projects policy paper will also be considered for possible remedies in the RCAR analysis.
- Regional cost allocation for byway seams projects as an RCAR remedy is being considered in a separate tariff revision.
CAWG REPORT TO RSC

SPTF recommendation on cost allocation

➢ Cost for Seams Projects greater than 300 kV should be allocated regionally consistent with the SPP’s highway/byway allocation methodology.

➢ Costs for all Seams Projects between 100 and 300 kV should be recovered regionally through “Highway” Funding.
CAWG REPORT TO RSC

Upcoming CAWG Action

- CAWG plans to take up the issue of cost allocation for 100 kV and above seams projects addressed by the policy paper at its meeting on September 3, 2014.
- CAWG plans to bring a recommendation on cost allocation for RSC consideration at its September 29, 2014 meeting.
Questions?

Submitted by: Meena Thomas
CAWG Chairman
August 25, 2014