Regional Transmission Expansion Plan
Key Issues and Success Factors
From The
State Jurisdictional Transmission Owners Perspective

RSC Cost Allocation Symposium
October 12, 2004
Represented State Jurisdictional Transmission Owners

- AEP, EDE, KCP&L, MWE, OG&E, WESTAR, XCEL

- Responsible for approximately 80% of load within the SPP footprint

- Members are regulated by one or more of the following State Commissions:
  - Arkansas, Kansas, Louisiana, Missouri, Oklahoma, Texas, and New Mexico
Presentation Objectives

- Describe two key issues regarding Transmission Expansion
  
  - Obtaining sustained State Commission support from all states
  
  - Fair and Equitable Treatment of New and/or Changes to DNRs and Reliability Upgrades
State Commission Buy-in
(regardless of final plan)

- State Commission Policy Approval & Policy Change Risk
  - Must recognize RTO OATT costs
  - If not, TOs have a high risk of having trapped costs

- Need for increased certainty regarding:
  - Recovery of costs assigned in future “out of state” Capital Projects
  - Recovery of SPP allocated “Regional and Zonal” Costs for non-jurisdictional upgrades
  - Higher uncertainty on cost recovery means more uncertainty in the financial markets

- The TO White Paper on “Certainty of Recovery of Transmission Costs”
Let’s talk about the CAWG proposal . . .
Fair/Reasonable Treatment of Base Plan Reliability Upgrades & DNRs

- Cost Allocation with new or changes in DNRs should not be 100% allocated to all customers.
  - It is extremely difficult to separate “necessary for load growth” from “economics”.
  - Recovery of allocated “Regional and Zonal” costs from 3rd Party changes in DNRs is uncertain.
  - The risk of recovery of allocated costs for state jurisdictional and non-jurisdictional members must be reasonably balanced.
  - The CAWG proposal regarding DNR does not comply with the RSC’s “Cost Causer/Beneficiary and No Free Rider” principles and creates undo cost shifts.
## What’s the Impact?

<table>
<thead>
<tr>
<th>Irrespective of the DNR Requestor</th>
<th>Same sized DNR and same upgrade costs</th>
<th>Same zone</th>
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<tbody>
<tr>
<td>LSE</td>
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<td>Cost</td>
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<td>Proposals</td>
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<tr>
<td>91.44%</td>
<td>100.00%</td>
<td>Existing Today</td>
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<td>80.94%</td>
<td>51.80%</td>
<td>T.O.'s Proposal *</td>
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<tr>
<td>61.88%</td>
<td>3.60%</td>
<td>CAWG Proposal **</td>
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<tr>
<td>13.88%</td>
<td>0.81%</td>
<td>TDU Proposal ***</td>
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*Ten year contract; 50% direct assign; 50% per CAWG proposal

**CAWG's proposal, 67% zone(s) and 33% to the region.

***100% of the costs would be assigned to the region.
Missing Pieces

- Implications for the state jurisdictional TO if one or more of its state jurisdictions “abstain” or votes no for the RSC plan
  - It’s Guaranteed State Regulatory uncertainty if RSC approval for the CAWG plan “is not” a unanimous endorsement

- The proposed plan does not address how the RSC is going to get each state commission’s buy-in to the plan.

- How does the state jurisdictional TO deal with non-recovery risk in the financial markets for capital and credit rating?
**Fair/Reasonable Treatment of Economic Upgrades**

- **Economic Upgrades** must be “voluntary” for those that “may” benefit. \( Y = 100\% \)

- If there is a Regional/Zonal allocation of costs, then TOs must have some assurance/affirmation that the State Commissions are “ok” with the approved Economic Upgrade approach.

- No mandatory allocation of costs unless proposed economic upgrade cancels or delays base plan “reliability” project(s).
Recommended Action

- The represented TOs respectfully request that the CAWG, RSC, SPP BOD and Stakeholders work together to develop practical solutions to these issues/concerns before a filing is made at FERC regarding a transmission cost allocation plan.

- RSC recommend each State Commission within the SPP footprint give opportune consideration to resolving the issue of transmission improvement cost recovery for their jurisdictional utilities.
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