Southwest Power Pool

REGIONAL STATE COMMITTEE

Net Conference

December 1, 2014

• MINUTES •

ADMINISTRATIVE ITEMS:
The following members were in attendance:

Dana Murphy, Oklahoma Corporation Commission (OCC)
Donna Nelson, Public Utility Commission of Texas (PUCT)
Olan Reeves, Arkansas Public Service Commission (APSC)
Stephen Lichter, Nebraska Power Review Board (NPRB)
Steve Stoll, Missouri Public Service Commission (MOPSC)
Shari Feist Albrecht, Kansas Corporation Commission (KCC)
Patrick Lyons, New Mexico Public Regulation Commission (NMPRC)

President-Elect Dana Murphy (OK) called the Regional State Committee (RSC) meeting to order at 2:00 p.m. with roll call and a quorum was declared. She then requested introductions of those in attendance. There were 35 in attendance (Attendance & Proxies – Attachment 1).

REPORTS/PRESENTATIONS

CAWG Report
Ms. Meena Thomas (TX) provided an oral update on the Cost Allocation Working Group (CAWG). She stated that there are two issues the CAWG is working on.

- An update on Cost Allocation for Non-Order 1000 Seams Projects

Cost Allocation for Non-Order 1000 Seams Projects Update
Mr. Dennis Reed (Westar) provided a report on the work being done by the Regional Tariff Working Group (RTWG) on cost allocation for non-Order 1000 Seams projects, (Cost Allocation for Seams Transmission Projects – Attachment 2). Mr. Reed reviewed the events at the last RSC meeting and the Motion on Cost Allocation that was unanimously approved at the October meeting. He also reviewed the discussion that took place at the Board meeting the following day around the test of 100% of benefits to a single zone was appropriate. While the Board approved the Seams Steering Committee (SSC) Whitepaper as presented, Chairman Jim Eckelberger also asked the RTWG to put the general discussion into tariff language. The RTWG began to develop Tariff language for both options. Draft Tariff language is still under review, however, in reviewing the discussion at the BOD and the RSC motion it appears that the only significant difference is what can trigger a change in the cost allocation of a Seams Transmission Project.

- Remaining questions from RTWG:
  - Did the RSC mean to have the same review of Zonal Benefits for Seams Transmission Projects > 300kV
    - RSC motion did not specify although the general discussion seemed to be that these projects should always receive Regional cost allocation
  - Can the RSC support the BOD version of “Substantially All” rather than 100%
Chair Albrecht made a motion to adopt Option 2 language from Dennis Reed’s presentation to read a single zone is expected to receive 60% or greater of the calculated benefits. Chairman Nelson seconded the motion. There was a roll call vote. The motion was approved unanimously.

**Long Term Congestion Rights Update**

Mr. John Krajewski (NE) provided an update on long term congestion rights (Long Term Congestion Rights – Attachment 3). SPP made its Long-Term Congestion Rights compliance filing at FERC in July 2014. FERC approved most of the changes. However, there were three issues on which FERC required an additional compliance filing:

- **Issue One:** Providing Long-Term Congestion Rights for entities who sponsor transmission system upgrades;
- **Issue Two:** Allow entities to nominate the long-term congestion rights they want before preparing simultaneous feasibility; and
- **Issue Three:** Assurance of inclusion of LTCRs in long-term planning processes to assure they are feasible.

The compliance filing was due on November 28; however, SPP requested an extension which was granted. CAWG, RTWG, and Market Working Group (MWG) each have a role in developing the issues and RSC and the Board/Members Committee will have to approve.

**SPC Task Force on New Members**

President-elect Murphy made a specific request that the RSC discuss and provide responses to questions raised by the SPC Task Force on New Members, (SPC Task Force on New Member Additions – Attachment 4) during the January RSC educational session.

**RSC Bylaws Membership Provisions**

President-Elect Murphy spoke to this topic (RSC Bylaws Membership Provisions – Attachment 5). The RSC intends to discuss RSC bylaw changes at the RSC education session in January.

**OTHER RSC MATTERS:**

President-elect Murphy requested that the RSC consider adjustments or changes they would like to see in the meeting process in the future. In addition, she would like to see Actions Items with the minutes.

**ACTION ITEMS:**

The List of Action Items is attached hereto.

**SCHEDULING OF NEXT REGULAR MEETINGS, SPECIAL MEETINGS OR EVENTS:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
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<tr>
<td>January 26, 2015</td>
<td>Dallas, TX</td>
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<tr>
<td>April 27, 2015</td>
<td>Tulsa, OK</td>
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<td>July 27, 2015</td>
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<td>October 26, 2015</td>
<td>Little Rock, AR</td>
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With no further business, the meeting adjourned at 3:16 p.m.

Respectfully Submitted,

Paul Suskie
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<td>5</td>
<td>Consideration of RSC Bylaws changes related to membership eligibility</td>
<td>Ongoing</td>
<td>Action needed before IS Parties join SPP (expected join date is October 1, 2015)</td>
<td>Discussed at December 1, 2014 meeting. Will be on agenda for January 2015 Educational Session</td>
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<td>9</td>
<td>Goals and Objectives for 2015 RSC Year</td>
<td>December 1, 2014</td>
<td>Ongoing</td>
<td>Discussed at December 1, 2014 meeting. Will be on agenda for January 2015 Educational Session or RSC lunch.</td>
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| 1   | EPA 111(d) : (1) Lanny Nickell to provide scope document on compliance analysis and an update on when SPP reliability analysis will be completed  
(2) Commissioner Reeves to provide update on possibility of studies to be performed by BPC and GPI, what services those entities are providing | 8/25/2014       | Completed | Addressed at 9/29/14 Meeting                      |
| 2   | RARTF: Update on RARTF and New Metrics                                     | 8/25/2014       | Completed | Addressed at 9/29/14 Meeting                      |
| 3   | Seams Project Task Force: CAWG will consider the issue at next meeting and bring back to RSC for discussion | 8/25/2014       | Completed | Addressed at 9/29/14 Meeting; On 10/27/14 Meeting as a voting item |
| 4   | SPC Task Force on New Members: RSC should email Commissioner Murphy with any concerns or topics. Update to be provided at next RSC meeting | 8/25/14         | Completed | Addressed at 9/29/14 Meeting                      |
Monday, December 1, 2014
2:00 - 5:00 p.m.
Conference Call

1. CALL TO ORDER
2. PRELIMINARY MATTERS
   a. Declaration of a Quorum
3. UPDATES
4. BUSINESS MEETING
5. REPORTS/PRESENTATIONS
   a. CAWG Report
      This report provides an update on CAWG activity.
   b. Non-Order 1000 Seams Projects Update [Potential Voting Item]
      This report will provide an update on the status of RTWG’s development of Tariff language.
   c. Long Term Congestion Rights Update
      This report will provide an update on the Transitional ARR Process (process for awarding ARRs and LTCRs in mid-year for new members) and an update on the compliance filing related to FERC Order 681.
   d. SPC Task Force on New Members
      Discussion of RSC Action items.
   e. RSC Bylaws Membership Provisions
      Discussion of possible revisions to the RSC Bylaws membership provisions.
6. OTHER RSC MATTERS
   a. Objectives and Plans for 2015
7. ACTION ITEMS
8. SCHEDULING OF NEXT REGULAR MEETINGS, SPECIAL MEETINGS OR EVENTS
   RSC Meetings:
      January 26, 2015 – Dallas, TX
      April 27, 2015 – Tulsa, OK
      July 27, 2015 – Kansas City, MO
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COST ALLOCATION FOR SEAMS TRANSMISSION PROJECTS

RSC Meeting
December 1, 2014
RSC Motion on Cost Allocation

- Approve Hwy funding for all Non-Order 1000 Seams projects, with a voltage of 100KV and above, provided that tariff language requires RSC review and input before a vote on such projects by the SPP BOD, if only one SPP zone is found to receive 100% of the SPP allocated benefits.

- Unanimously approved by the RSC
SPP Board of Director Action

• Discussion around the test of 100% of benefits to a single Zone
  • Use of planning models means that it would be very unlikely that the 100% test would be met

• Chairman Eckelberger suggested the following language:
  • Benefits to more than one zone within SPP are desired. Significant benefits accruing to only one SPP zone will not be considered for this treatment unless the Board approves an exception with the endorsements of the RSC and the MOPC.

• Board Approved the SSC Whitepaper as presented
  • Did not approve or disapprove the RSC motion
  • Did not approve or disapprove the Chair’s motion
  • Directed the RTWG to bring back draft Tariff language in December incorporating the discussion at the BOD meeting
RTWG Actions

• RTWG took the BOD directive to develop Tariff language for both options
• Draft Tariff language is still under review, however, in reviewing the discussion at the BOD and the RSC motion it appears that the only significant difference is what can trigger a change in the Cost allocation of a Seams Transmission Project.
• References to the RCAR remedies will be done as part of the overall RCAR TRR currently being worked on
Draft Language

- Default cost allocation: Regional
- Create a test to review cost allocation
- Requires SPP to calculate Zonal Benefits for all proposed Seams Transmission Projects for voltages between 100 kV and 300 kV.
- Working on two options:
  - Option 1: If any single Zone receives “significantly all” of the SPP allocated benefits
  - Option 2 follows RSC motion: 100% of benefits to a single Zone
- Results of study to be reviewed by MOPC and RSC
- The BOD may change the cost allocation to “by-way”
Attachment J, Section VII.B.2

- **Option 1 (BOD):** The Regional State Committee or the Markets and Operations Policy Committee may recommend to the SPP Board of Directors that the annual transmission revenue requirements of an approved Seams Transmission Project be allocated in accordance with Section III.A.2 of Attachment J if *a single Zone is expected to receive substantially all* of the calculated total benefits to the SPP Region. The SPP Board of Directors may change the allocation of the annual transmission revenue requirements associated with the approved Seams Transmission Project based on such recommendations.

- **Option 2 (RSC):** The Regional State Committee or the Markets and Operations Policy Committee may recommend to the SPP Board of Directors that the annual transmission revenue requirements of an approved Seams Transmission Project be allocated in accordance with Section III.A.2 of Attachment J if *a single Zone is expected to receive 100%* of the calculated total benefits to the SPP Region. The SPP Board of Directors may change the allocation of the annual transmission revenue requirements associated with the approved Seams Transmission Project based on such recommendations.
Questions

- Did the RSC mean to have the same review of Zonal Benefits for Seams Transmission Projects > 300 kV?
  - RSC motion did not specify although the general discussion seemed to be that these projects should always receive Regional cost allocation

- Can the RSC support the BOD version of “Substantially All” rather than 100%?
SPP Long-Term Congestion Rights Update

December 1, 2014

John Krajewski
Nebraska Power Review Board
Overview of Current Activities

- FERC Order
- Required Compliance Filing
- Changes to ARR/LTCR process for mid-year addition of Integrated System
FERC Order

- SPP filed to implement Long-Term Congestion Rights proposal on July 31, 2014
- Filing would implement changes that were approved by SPP Board of Directors, Regional State Committee and Members Committee in October 2013
- FERC accepted most of the proposed changes
- Required a compliance filing to address three issues
FERC Order

• Issue One: Providing Long-Term Congestion Rights for entities who sponsor transmission system upgrades
  – SPP Position was that a long-term transmission right would be necessary and that the Attachment Z2 Crediting process was adequate
  – Protest by Boston Energy disagreed
  – FERC ruled in favor of Boston Energy and required SPP to make compliance filing to provide long-term congestion rights for entities that sponsor transmission upgrades
FERC Order

- One area of concern is that a party who sponsors and upgrade and does not have corresponding long-term transmission request should not be entitled to long-term rights and Attachment Z2 credits
  - FERC Order required SPP to address how crediting would interact with the provision of LTCRs and ensure the approach is just and reasonable and consistent with Order 681
  - MWG is generally in agreement that it should be an either/or decision
FERC Order

• Issue Two: Allow entities to nominate the long-term congestion rights they want before preparing simultaneous feasibility
  – TDU Interveners protested the approach of doing simultaneous feasibility of all long-term rights and letting parties know which reservations were eligible for long-term rights
  – FERC partially agreed and is requiring SPP to include a nomination process before the simultaneous feasibility analysis
FERC Order

• Issue Three: Assurance of inclusion of LTCRs in long-term planning processes to assure they are feasible
  – TDU Interveners contended the approach fails to require SPP to plan system to ensure continued feasibility
  – SPP disagreed and stated the integrated transmission planning process adequately safeguards continued feasibility
  – FERC agreed with TDU Interveners and is requiring SPP to demonstrate the existing planning process provides for the continued feasibility of LTCRs
Compliance Filing / Schedule

• Compliance filing originally due November 28
  – SPP requested an extension of time, as it was impractical to work through stakeholder process in the time allotted
• Work plan has been reviewed by various stakeholders
• CAWG, MWG, RTWG each have role in developing the changes
  – December 12 joint CAWG/MWG meeting
  – MWG/RTWG meetings in December
  – RSC/Board/Member Committee approval
LTCR / ARR for New Members

• Market Working Group is working on changes to the protocols and tariffs to address situation where a new member joins in middle of ARR year
  – ARR/LTCR calendar runs June through May
  – Joining in October presents challenges under existing schedule
  – How to handle these specific situations is being addressed by MWG

• CAWG will likely review and ensure the action is consistent with past RSC direction on ARRs/TCRs
SPC Task Force on New Member Additions

Southwest Power Pool

Helping our members work together to keep the lights on... today and in the future
Under Review by the RSC

1. Can/should RSC, CAWG or State Commission staff attend the SPC meetings’ Executive Sessions, and to possibly join the ad hoc Members Forum
   - Need RSC feedback on preference to participate, and assurance that they can protect the confidential information that may be subject to FOIA and state open meeting laws

2. When SPP Staff convenes the all-Member special meeting, SPP Staff convene an RSC/CAWG special meeting to follow so that Members and Commissioners/Staff can hear the issues of concern from each other
   - Need RSC feedback on preference to have a second SPP Staff convened special meeting as proposed

3. The Task Force requests more information from the RSC as to how it views its role regarding the “Bright Line” date
RSC Bylaws
Provisions on RSC Membership

Helping our members work together to keep the lights on... today and in the future
Outline

• FERC Approval of RSC in 2004
• RSC Bylaws on criteria for RSC membership were revised in connection with Nebraska integration
• Proposed RSC Bylaws changes
RSC Bylaws Revised in 2009

• When the Nebraska entities joined SPP, at the April 2009 meeting, Article II, Section 1 of the RSC Bylaws was changed to state (reflected in red and underlined):

Membership shall be open to all official governmental entities that:

(a) Regulate the retail electricity or distribution rates or approve retail service areas of transmission-owning members or transmission-dependent utility members of the SPP; or

(b) Are the primary regulatory agency responsible for siting electric transmission facilities in states where there are transmission-owning members of the SPP or independent transmission companies that own or operate transmission facilities associated with the SPP.
Current language

Membership shall be open to all official governmental entities that:

(a) Regulate the retail electricity or distribution rates or approve retail service areas of transmission-owning members or transmission-dependent utility members of the SPP; or

(b) Are the primary regulatory agency responsible for siting electric transmission facilities in states where there are transmission-owning members of the SPP or independent transmission companies that own or operate transmission facilities associated with the SPP.

(emphasis showing provisions suggested for amendment on next slide)
Bylaw Change for Consideration (Cont.)

Proposed language:

Membership shall be open to all official governmental entities that:

.....

(b) Are the Primary Regulatory Agency responsible for siting electric transmission facilities in states where there are transmission-owning members of the SPP or independent transmission companies that own or operate transmission facilities under the SPP tariff associated with the SPP. “Primary Regulatory Agency” is the agency that has exercised authority over facilities placed under the SPP OATT that are greater than 100 kV and where the majority of such facilities are owned by an SPP Member.