Southwest Power Pool, Inc.
COST ALLOCATION WORKING GROUP MEETING
August 29, 2007
DFW Hyatt
• AGENDA •
11am – 5pm
CAWG Participant Number and Code
Toll 203-320-8823
Participant: 113358

1. Screening results (1 hour) ................................................................. Charles Cates
   ➢ B/C ranking of projects
   ➢ Inclusion of additional projects
   ➢ Inclusion of spring results

   LUNCH, noon

2. Follow Up On Cost Allocation Issues
   ➢ MISO’s approach to Cost Allocation (30 min) ......................... Pam Kozlowski
   ➢ Related Issues from Last Meeting (90 min) ......................... Open Discussion
     • B/C for individual projects, continued discussion
     • Off-ramp vs. Integration facilities, continued discussion
     • Adjustments for unbalanced portfolios, new proposals

   BREAK, 3:00 – 3:15

3. Model Assumptions Going Into Economic Evaluations (60 min) .................. Open Discussion

4. EDE Waiver Request (30 min) ......................................................... Bary Warren

5. Future Meetings (15 min) ............................................................... Keith Tynes
MISO’s Economic Upgrade Cost Allocation Orders

MISO’s Economic Upgrade Orders

• Order Conditionally Accepting Tariff Revisions
  – Issued March 15, 2007
  – Docket Nos. ER06-18-004, ER06-18-005
• Order on Rehearing & Compliance Filing
  – Issued July 23, 2007
  – Docket Nos. ER06-18-007, ER06-18-008
Basis for FERC’s Findings

• Relied on:
  – Order 890 cost allocation principles
  – Other Order 890 findings
  – The record presented by MISO
  – The interests expressed by the states

890 Cost Allocation Principles

• Fairly assigns costs among participants, including those who cause them to be incurred & those who otherwise benefit from them
• Provides adequate incentives to construct new transmission
• Generally supported by state authorities & participants across the region
Other 890 Findings

- Participants seeking to support new transmission investment need some degree of certainty regarding cost allocation to pursue such investments
- Beneficiaries of an economic project should agree to support the costs of such projects
- Support for regional flexibility

Record in the Case

- FERC relied on the record in the case
- However, FERC required throughout these Orders that as MISO gains greater experience with the benefits metrics, qualifying tests & cost allocation methodology that MISO provide future reports to the FERC on analysis to support maintaining or changing the methodology & cost allocation
Interests Expressed by States

- Order 890 underscored the importance of regional consensus (3rd cost allocation principle)
- Since consensus was not achieved in MISO, FERC gave particular weight to the interests expressed by the states in the MISO region, represented by the OMS

Benefits Metrics

- FERC approved the use of production cost savings & the effect on LMPs to calculate project benefits
- FERC agreed that other benefits may be relevant, but no party presented a detailed methodology for calculating them
- FERC required MISO to evaluate the feasibility of other benefits metrics & describe those efforts in future reports filed with the Commission
Benefits Metrics

• FERC required the benefits be calculated on a net present value basis
• FERC rejected the proposal to preclude regional cost sharing for projects that produce benefits on a net present value basis, even though one of the two metrics is negative

Weighting of Benefit Metrics

• FERC’s conclusion for ordering changes to the weighting of the benefits metrics
  – Agreed with OMS & others that having positive values for both the production cost benefit & the LMP energy cost benefit is unrealistic
  – Determined that metrics as proposed could violate the principle that proposed economic projects that have a regional benefit are borne by the regions that benefit from the proposed upgrade
Benefits/Costs Ratio

- FERC accepted sliding Benefits/Costs Ratio scale
- FERC agreed that the sliding scale appropriately recognizes that benefits projections become less reliable over time & can be more difficult to predict than project costs
- FERC required MISO to perform analysis of the effectiveness of the Ratio thresholds and whether the sliding scale remains appropriate & describe those efforts in future reports filed with the Commission

Clarify Benefits/Costs Ratio

- FERC ordered MISO to clarify:
  - Project costs used to calculate the Benefits/Costs Ratio are defined as the present value of revenue requirements for the project over the same period used to calculated benefits
  - Time period over which the present value of benefits will be calculated
  - How aggregate benefits will be calculated for each of the benefits tests
Qualifying Tests for Cost Sharing

- 345 kV and above
- $5 million minimum cost
- Not a Baseline Reliability Project or a New Transmission Access Project

345 kV Cutoff

- FERC found the cutoff reasonable based on the record
- No specific evidence to support an alternative cutoff was provided
- FERC stated that it was important to note that the OMS agreed with the cutoff
- FERC required that MISO specify in its tariff what it means for facilities to be an integral or necessary part of a high-voltage project for the purposes of including the costs of lower voltage facilities associated with a new 345 kV and above project as part of the economic project
345 kV Cutoff

• In compliance MISO specified including:
  – Any lower voltage facilities of 100 kV or above that collectively constitute less than 50% of the combined project cost, and
  – Without which the 345 kV or higher facilities could not deliver sufficient benefit to meet the required Benefits/Costs Ratio threshold for the project, or
  – That are needed to relieve applicable reliability criteria violations that are projected to occur as a direct result of the development of the 345 kV or higher facilities of the project

• In the Rehearing Order, FERC found the 50% threshold a reasonable starting point for establishing which lower-voltage facilities should be considered part of a higher-voltage project such that the lower-voltage facilities should also qualify for regional cost sharing
• FERC required MISO to analyze the reasonableness of the 50% threshold as it gains further experience with the cost allocation methodology & describe those efforts in future reports filed with the Commission
$5 Million Minimum

- FERC conditionally accepted the $5 million minimum
- FERC required MISO to evaluate on an ongoing basis whether inclusion of smaller projects can be justified in the future
- FERC directed MISO to file detailed information regarding how it will calculate a project’s cost
- FERC required MISO to include in its tariff an explanation of how project costs will be verified

Cost Allocation Methodology

- If the project meets the Benefits/Costs Ratio threshold & meets the other qualifying tests, then
  - 20% of the costs of the projects are allocated on a postage stamp basis and
  - 80% of the costs are allocated among three geographic sub-regions on a license plate basis
- Weighted Gain-No Loss provision provides a deviation from the above methodology
Regional Allocation

- FERC found 20% regional allocation just & reasonable based on analysis provided by MISO
- FERC believed that higher percentages could be justified, however no supporting evidence was on the record
- FERC stated that it was important to note that the OMS:
  - Did not support alternative proposals to the 20% figure; and
  - Generally supported the 20% allocation
- FERC required MISO to re-evaluate the appropriateness of the 20/80 split as the region gains experience with the implementation & describe those efforts in future reports filed with the Commission

Sub-regional Allocation

- OMS argued that the allocation should be made to individual pricing zones, rather than to planning sub-regions
- MISO stated that it does not, at present, have the computer modeling tools available to perform an allocation to individual pricing zones
- FERC recognized the OMS’s concern that a more granular allocation could more accurately match cost incurrence to project benefits
- FERC required MISO to determine whether a more granular allocation may be feasible & describe those efforts in future reports filed with the Commission
Weighted Gain-No Loss

- FERC conditionally accepted the Weighted Gain-No Loss approach
- FERC rejected MISO’s proposal that if a sub-region is shown to have negative benefits under either the production cost benefit or LMP energy cost benefit metric on a sub-regional level, then that sub-region will not be given a sub-regional allocation of cost
- FERC supported a general No Loss provision, but found that the provision should apply to the overall weighted sum of measured benefits

Weighted Gain-No Loss

- FERC directed MISO to:
  - Revise the Weighted Gain-No Loss metric so that only when the calculation results is a net negative benefit would a proposed project be disqualified as an economic upgrade
  - Modify its tariff to clarify its intent that the Weighted Gain-No Loss provisions should apply to the sum of present value of the benefits over the entire modeling period, rather than applying on a year-to-year basis
Modeling Protocols

• FERC agreed with MISO that modeling protocols are quite detailed and require frequent updates and are best suited for inclusion in the Business Practice Manuals and are not required its tariff
Summary of July 25 CAWG Meeting

A. STEP Screen to Portfolio Transition: Discussion led by Charles Cates
   • Projects are taken from the 2006 STEP Screen, Stakeholder and SPP Staff recommendations and the WFLR Process from the EHV Overlay Study (2006 STEP – 16 projects; Stakeholder – 21 projects; WFLR – 4 projects)
   • **Question was raised about screening projects to correct TLRs on flowgates. SPP will get back to CAWG on this question.**
   • **Question was raised about screening projects for off-peak benefits. SPP agreed to look at this. Updates at next CAWG meeting.**
   • 2007 STEP Screen developed using Global Energy Decision’s (GED) MarketSym software package
     • Economic Screen considers benefits of projects during 2012 Summer
     • Benefits are calculated for one typical week month and extrapolated to yearly results by Year = 2 x Summer Benefit
     • 10 Year Benefits calculated at an 8% discount rate
   • Results presented at the August TWG meeting and 2007 Transmission Summit.

B. Integration vs. Off Ramp Facilities: Discussion led by Raj Rana
   • Off ramp facilities are those needed to “tap” into the new EHV kV line from new lower voltage transmission facilities that support a zonal need. Examples:
     • Taps to add new lower voltage facilities
     • Step-down transformers to new lower voltage facilities
   ☀ **Further discussion is needed. What about situations in which lower voltage upgrades are needed to bring B/C ratio up to have the EHV project implemented? Review the MISO filing at next CAWG meeting.**
   • Integration Facilities are those upgrades to existing lower voltage facilities needed because of the new EHV kV line.
     • Terminal facilities; circuit breakers; ring bus facilities; switches; wave traps; step-down transformers to EHV (765 to 345); and any lower voltage overloads that need to be corrected.

C. Aggregate Study Improvement TF Update: Discussion led by Jason Atwood
   • MOPC directs the ASITF to present a report (and if possible, in working with the RTWG, provide tariff language) of potential Aggregate Study revisions prior to the October 16 MOPC meeting.
   • 7 Members and 2 Observers: 3 Transmission Owners; 3 Transmission Dependent Utilities; 1 Independent Power Producer; 1 FERC Staff; and 1 State Commission Staff
   • Team was formed on Monday, June 18th and has already held 4 meetings.
   • ASITF agreed to remove System Impact Study from the Aggregate study process. This will require tariff changes.
   • ASITF agreed to include the 15 day tariff required execution of the study agreement in the 4 month open window or the Transmission Customer will be placed in the subsequent Aggregate study.
     • All required documents including OASIS reservation entry, NITS application update (if applicable), study deposit (if applicable) and study agreement will be in place by the end of the 4 month window.
• Failure of the Transmission Customer to provide all of the required documents would require the customer’s reservation to be placed in the subsequent Aggregate study.

D. Early Buy-In for Economic Upgrades: Discussion led by Mike Proctor
• Buy-In for Economic Upgrades could refer to the time at which the SPP RSC agrees to a cost allocation package, or the time at which the state commission approves the construction of the facilities. In the second instances, some states require pre-approval (e.g., a Certificate of Need and Necessity), but other states do not require pre-approval on transmission facilities built in the utilities’ service territory.
  1. Missouri – certificate needed only if built outside of service territory
  2. Oklahoma – no citing pre-approval by OCC (done by a different group)
  3. Arkansas – certificate is required to put in a major transmission facility
  4. Kansas – certificate is required from the KCC (230 kV or larger / more than 5 miles)
  5. Texas – certificate is required to be a utility, then is amended for each project.
  6. Louisiana – does not currently require a certificate, but may be in rules soon.
• A key component to early buy-in is the specification of the lower bound on the benefit to cost ratio under which a project is allowed to qualify for the portfolio; e.g., $\alpha = 1$ or $0.9$.
• An additional factor for early buy-in is project cancellation after start up. Any project in process has two categories of costs:
  1. Sunk Costs: Expenditures already incurred to implement the project.
  2. Projected Completion Costs: Expenditures not yet incurred but are expected at a future date in order to complete the implementation of the project.
• Ongoing evaluation of approved projects should only treat the second category of costs as relevant. The criteria for stopping a project that is partially completed is that the net present value of the revenue requirements associated with the project completion costs exceed $\alpha \times$ (net present value of the benefits expected from the project);
• The quid pro quo is that sunk costs incurred for approved projects that were subsequently cancelled should be recoverable.
• The risks associated with project cancellation are:
  1. With the cancellation of a project, the portfolio is unlikely to remain reasonably balanced – i.e., it is likely that some zone(s) may end up with $B/C < 1$ because of a cancelled project.

Unbalanced portfolio risk can be addressed in at least two ways:
• Find substitute projects to replace the cancelled project and restore balance to the portfolio.
• Provide an adjustment to the postage stamp rate design for unbalanced portfolios.
  2. It could be argued that the sunk costs of an abandoned project are not used and useful and therefore not recoverable from rate payers.

For states having pre-approval, used and useful should not be a problem. It is likely that a state giving pre-approval would condition that pre-approval on the authority to review any cancellation of a project.

For states not having pre-approval, there is a risk that recovery of the costs from cancelled projects might not be approved. However, these costs would go through SPP as a FERC approved rate, and would not be included as an addition to rate base in the state’s cost of service case
Where additions to rate base occur, then revenues received from SPP are used as offsets to revenue requirements.

In this case, there is no addition to rate base, but there would be an SPP related charge for the cost of a cancelled project.

Two key components – Action Items for August CAWG meeting.

1. Project Completion Costs compared to benefits – criteria for cancellation should be equivalent to B/C criteria for inclusion of a project.
   - Where should we recommend setting α?

2. Proposed modifications to postage stamp rate design for an unbalanced portfolio.
   - Backup formula rate: If the B/C < 1 for a zone, what form of rate adjustment should be made to restore that zone to a B/C = 1 and ensure that all other zones have B/C ≥ 1?

E. Topics at Next CAWG Meeting.

- CAWG needs to discuss assumptions that go into the model used to calculate the benefits of the portfolio of economic projects. Screening models used the 2012 STEP as the basis for doing the evaluation.

- Question for RSC: Should the modeling assumptions used for evaluation of economic portfolio match the modeling assumptions that go into the EHV project?
  1. The EHV project jumps out twenty years, but in putting a proposed implementation plan together for this project, the SPP will have to choose a path that gets from 2006 to 2026.
  2. Does this approach help to integrate the two (Economic portfolio with EHV)?
2007 Economic Project Screen Results

A discussion on the 2007 SPP Transmission Expansion Plan (STEP) Economic Screen Results
Disclaimer

- Material in this presentation is preliminary and not considered final. Material is provided for discussion purposes only.

2007 STEP Economic Screen

- At the August 15th Transmission Planning Summit SPP Staff presented the results of the 2007 SPP Transmission Expansion Plan (STEP) Economic Project Screen

- Results derived from typical week, 1 month summer analysis scaled to represent estimated yearly benefit

- Benefit metric considered Adjusted Production Cost (APC) defined as:

  - APC = Δ Production Cost + (ΔNetInterchange * LoadWeightedZonalLMP\textsubscript{upgradecase})
2007 STEP Screen to Economic Portfolio Transition

- The 2007 STEP Economic Screen will be the starting point for the CAWG Economic Portfolio analysis.
- SPP Staff has completed additional screening analysis considering 2012 Spring conditions.
- Results presented will include yearly benefit defined according to both Summer as well as Summer + Spring results for comparison.
- For the purpose of this discussion, yearly benefit will be:
  1. Yearly Benefit = 2 x Summer
  2. Yearly Benefit = 1.5 x (Summer + Spring)

Economic Model Assumptions

- Blue = New from 2006 STEP Screen

Major Generation Additions –
- Holcomb East
- Iatan 2
- Southwest Steam #2
- Hempstead Co (Turk)
- Emporia (Lang)
- Red Rock
- Hugo 2
- Hobbs
- Tontitown (Mattison)
- Southwestern Station #4 & 5
- Kansas Wind – 1,000 MW (nameplate)
- Panhandle Wind – 1,500 MW (nameplate)
Economic Model Assumptions

Major Transmission Additions –

- 2006 STEP Topology
- Western Half of X-Plan
- Rose Hill – Sooner 345 kV
- Valliant – Hugo 345 kV
- Hugo – Sunnyside 345 kV
- Wichita – Reno Co. – Summit 345 kV
- 600 MW DC Tie @ Sunnyside (CREZ delivery)

Top Economic Projects – Summer Only

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Project Cost ($ Million)</th>
<th>Project Source</th>
<th>B/C Ratio (Summer)</th>
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<td>28.77</td>
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## Top Economic Projects – Summer + Spring

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## Top Economic Projects – Comparison

Red = Off peak results Lowers Benefit Significantly  
Blue = Off peak resultsRaise Benefit Significantly

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<th>Project Name</th>
<th>Project Cost ($ Million)</th>
<th>Project Source</th>
<th>B/C Ratio (Summer)</th>
<th>B/C Ratio (Spring + Summer)</th>
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<tr>
<td>McDowell 345/230 kV XF</td>
<td>12.0</td>
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<tr>
<td>Muskogee - Tulsa Creek 345 kV</td>
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<td>EHV Overlay</td>
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<tr>
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<td>Muskogee - Globe Creek 345 kV</td>
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<td>Healdsburg - Kishahni 345 kV</td>
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<td>Prev. STEP</td>
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<td>0.28</td>
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<tr>
<td>Waddell - Cimarron 345 kV</td>
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<td>Wolf Creek - Worland 345 kV</td>
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<td>Pleasant Hill - Monett 345 kV</td>
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<td>Fairport-Sibley 345 kV</td>
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<td>Tulsa East 345 kV Switching Station</td>
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<td>Monett - Montrose - Pleasant Hill 345 kV</td>
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<td>Neosho - Joliet - Table Rock 345 kV</td>
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<td>0.19</td>
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<td>Redfield - Kishahni - Atwood 345 kV</td>
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<td>Redfield - Cleveland 345 kV</td>
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<td>R. Carlson - R. Rogers 345 kV</td>
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<td>E.C. - Sedgwick 345 kV</td>
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<td>PFHE</td>
<td>(0.12)</td>
<td>(0.25)</td>
</tr>
<tr>
<td>Overland Park - East 345 kV</td>
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<td>Recommendations</td>
<td>0.22</td>
<td>0.08</td>
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<tr>
<td>Streetsville - W. Gardner 345 kV</td>
<td>32.0</td>
<td>Recommendations</td>
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<td>0.31</td>
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<td>Notre Dame - Auburndale Rd 345 kV</td>
<td>75.0</td>
<td>UPLER</td>
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<td>(0.43)</td>
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<td>Bear Creek - South Fork 345 kV</td>
<td>50.0</td>
<td>Recommendations</td>
<td>(1.58)</td>
<td>(1.28)</td>
</tr>
</tbody>
</table>

### Economic Portfolio – Next Steps

- Determination of project build out timelines and project interactions on benefit to cost projections including integration with the EHV Overlay Study

- PROMOD results will be supplemented when complete. CAWG will need to reconcile any differences and determine appropriate actions

- CAWG to determine appropriate requirements for a balanced economic portfolio.
Questions?

Southwest Power Pool

Charles Cates
Planning Engineer
501-614-3551
ccates@spp.org
August 23, 2007

Mr. John Mills
Manager, Tariff Studies
Southwest Power Pool, Inc.
415 North McKinley Street
#140 Plaza West
Little Rock, Arkansas 72205

Re: Empire Request For Waiver (#2) Per Attachment J of the SPP OATT
For OASIS Request: #1222640 – Cloud County Wind Farm Designated Resource

Dear John,

Pursuant to Section III C.1 (Waiver Process) of Attachment J of the Southwest Power Pool (SPP) Open Access Transmission Tariff, The Empire District Electric Company (Empire) respectfully requests a waiver for up to an additional $16,200,000 in Base Plan funding related to Engineering and Construction costs of SPP determined direct assignment Network Upgrade facilities associated with Empire’s 100 MW of firm transmission service OASIS request:

#1222640(Cloud County -100 MW): SPP-2007-AG1-AFS-3

The transmission service requested is to deliver power from a designated resource, a 100 MW wind farm nearing construction in the proximity of Concordia, Kansas and within the Balancing Authority area of Mid Kansas Electric Company (subsidiary of Sunflower Electric Power Corporation and formally Aquila-West Plains) associated with the requested 100 MW of network integrated transmission service to Empire.

On June 19, 2007, Empire and Cloud County Wind Farm, LLC, a subsidiary of Horizon Wind Energy, entered into a twenty (20) year power purchase agreement. Empire anticipates that the wind farm will be fully operational in late 2008 or early 2009 and begin receiving energy under the terms of the power purchase agreement at that time.

The current results of SPP-2007-AG1-AFS-3 for Empire’s Cloud County designated resource indicate the following:

i) the estimated Engineering and Construction transmission costs, directly assignable to Empire, are projected to be from $8,000,000 to $80,000,000, depending on who and what facilities remain in the SPP-2007-AG1-AFS process;
ii) additional/undetermined 3rd party (1st tier non-SPP transmission owning members) required upgrades and;
iii) potential for additional SPP re-dispatch service costs required of Empire to begin service as requested.

1 SPP-2007-AG1-AFS-4 is currently being completed and expected to be posted by SPP in late August/early September.
Based on Attachment J, B. 3. (a) and (b), Empire’s designated resource would be eligible for only $1,800,000 (10 MW (100 MW x 10% - SPP’s default value for dependable capacity of a wind farm - x $180,000/MW)) of the maximum Safe Harbor Limit amount of $18,000,000.

Empire is requesting a waiver of the application of the “lesser of” provision of the $180,000/MW Safe Harbor Limit in Attachment J, B. 3. (a) – the planned maximum net dependable capacity applicable to the Transmission Customer. Empire requests that the Safe Harbor Cost Limit be determined using only Attachment J, B.3. (b) – the requested capacity (meaning the transmission reservation capacity amount (100MW)).

Approval to waive the “net dependable capacity provision” would place Empire’s Cloud County designated resource on equal footing with other fossil fuel designated resources and transmission only reliability upgrades in terms of regional funding.

Pursuant to Attachment J, C. iv. – “If a request for a waiver is received by SPP based on other circumstances, such waiver request shall also be considered…” Empire believes that the Cloud County Wind Farm resource, as a designated resource, should be eligible for the full Safe Harbor Limit of $180,000/MW based on its requested transmission service capacity of 100 MW. It is important to note that SPP models all designated resources – regardless of fuel type (wind, natural gas, hydro, coal, nuclear) - in a similar manner/nameplate – and not solely based on “expected” net dependable capacity.

Empire believes that the SPP footprint includes a prominent wind resource sub-region that could be important to the United States power industry. It is important to proactively encourage the development of these wind resources now. The continued reduction/disadvantage in Base Plan Funding for the use of such intermittent resources will only discourage such development.

Empire has re-evaluated its position on the eligibility requirements for the Safe Harbor Limit and believes that the Base Plan Funding eligibility should apply to any designated resources.

The addition of the 100 MW power purchase agreement with Cloud County Wind Farm, LLC will increase Empire’s wind energy capability from wind farm power purchase agreements from 150 MW to 250 MW, thus generating approximately 15% of our annual energy requirements in the year 2009. This resource, like the Empire energy output purchase from the Elk River Wind Farm, is expected to produce a capacity or utilization factor of approximately 40% on an annualized basis. This annualized capacity or utilization factor exceeds most peaking resources within the SPP region and rivals most intermediate natural gas fired combined cycle resources in expected annual capacity utilization factor. The delivery of energy to load is one of the primary purposes of the transmission system, and therefore designated resources with this level of annual capacity or utilization factor should be an additional consideration for Base Plan Funding eligibility.

Empire continues to support the condition of 125% capacity resource margin for Base Plan Funding; however through the waiver process, consideration of the significant energy contribution of this type of resource should also be taken into account as a viable circumstance for waiver approval. All load serving entities are required to carry a 12% planning capacity margin and Empire has and will continue to meet and exceed that minimum requirement.
Fundamentally, we believe this Waiver raises the issue of strategy and funding.

- Strategy - in terms of the encouragement of the development and use of wind resources as designated resources for existing and prospective SPP members, and
- Funding - in terms of the regionalization of a portion of the transmission costs for wind resources in a manner similar to the way SPP funds transmission upgrades required for reliability (no resources involved), and transmission upgrades required for traditional fossil fuel generation resources.

If SPP models and grants transmission service for designated resources in the same manner – regardless of the fuel type - then it seems appropriate for the Safe Harbor Limit to be based on (b) the amount of transmission service requested/granted.

Therefore, The Empire District Electric Company respectfully requests the following:

a) SPP staff distribute the Waiver Request to the MOPC and CAWG as soon as possible;
b) Waiver of Attachment J, III. B.3 (a) and eligibility for the Safe Harbor Limit of up to $18,000,000 (an additional $16,200,000) pursuant to (b) – transmission reservation capacity - based on the following circumstances:

i) the current and future “favorable” circumstances within the SPP region and national outlook for renewable resources,
ii) the fact that wind resources in north central Kansas will bring additional fuel diversity to the SPP region and Empire,
iii) the cumulative projected Base Plan Funding to Empire for this designated resource (up to $18,000,000) and the most recent Iatan II and Plum Point resources (projected to be approximately $12,000,000) would be $30,000,000 which is less than the $36,000,000 (200 MW x $180,000/MW) eligible funding for just the Iatan II, and Plum Point designated resources alone,
iv) designated resources are modeled in the same manner by SPP regardless of the fuel source, and
v) the Cloud County Wind Farm is expected to have an annualized capacity utilization factor of approximately 40%, which is greater than and/or comparable to peaking/combined cycle natural gas fired units that are typically eligible for the full Safe Harbor Limit funding amount.

c) This Waiver request be reviewed by the CAWG, MOPC, and RSC and decided upon by the SPP Board of Directors no later than the October 30, 2007 SPP Board of Directors meeting in Tulsa, Oklahoma, and
d) That in the event this Waiver is denied and that similar waivers are approved in the future or tariff modifications/policy changes are made that would have affected this Waiver request, Empire requests that the SPP Board of Directors reconsider Empire’s Waiver request.
Empire appreciates the efforts of SPP staff, the CAWG, RSC, MOPC, and Board of Directors in carefully evaluating and discussing each waiver and the related policies. Empire representatives will be available to discuss this Waiver request at future CAWG, RSC, RTWG, MOPC and BOD meetings.

Thank you in advance for your assistance and timely consideration of this request.

Empire looks forward to SPP staff’s recommendation and the Board of Directors’ decision, and finalization of the service agreements related to this new and important designated resource for the customers of The Empire District Electric Company and the Southwest Power Pool region.

Sincerely,

Rick McCord
Director, Supply Management

cc. Harold Colgin II, Empire Vice President of Energy Supply
    Mike Palmer, Empire Vice President of Commercial Operations
    Bary Warren, Empire Director of Transmission Policy and Compliance