INTEGRATING WESTERN PARTIES INTO SPP'S RTO

TERMS AND CONDITIONS

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EXECUTIVE SUMMARY

Participants in Southwest Power Pool's Western Energy Imbalance Services (WEIS) have expressed interest in joining the SPP regional transmission organization (RTO) as well as expansion of existing members placing certain facilities in the Western Interconnection under SPP's Open Access Transmission Tariff (tariff). An independent study found that WEIS participants' membership in the SPP RTO will save $49 million annually: $24.2 million in new savings for current members and $25.1 million in savings for new western participants.

SPP works with prospective new members interested in joining the RTO using a new member process. As part of this process, SPP's Strategic Planning Committee formed a Members Forum and the Regional State Committee formed a State Commission Forum to work with staff on new member integration. The Members Forum and its Direct Current (DC) Tie Task Force met multiple times throughout the first two quarters of 2021 to agree on necessary governing document and operational changes to integrate the West parties into the RTO.

With the board of director's approval of this document, the identified terms and conditions will be valid until April 15, 2022 for new members and existing members adding Western Interconnection facilities to execute. If the West parties determine to financially commit to the integration, they will execute a commitment agreement before April 15, 2022 for an estimated go-live date of March 1, 2024. With these commitments, SPP will use its stakeholder process to finalize necessary governing document revisions for appropriate regulatory approvals.

Developing a framework to operate a single market across two interconnections presents several unique challenges, including:

- **DC ties:** The four DC ties being considered for addition to the SPP market are the strategic enablers for operating single a market in two asynchronous interconnections. A single market design that allows marginal energy cost divergence within the East and West market footprints is necessary for a dual interconnection market that does not break the fundamental price calculation principles used in the Integrated Marketplace. Since the DC ties are legacy assets, SPP needs to strike a balance in addressing compensation for market use within overall DC tie cost allocation. Special consideration is also required for allocating and managing auction revenue rights (ARR) and transmission congestion rights (TCR). The DC Tie Task Force continues to work toward solutions to these issues, with the goal of providing a fully vetted solution to the SPP board in October.

- **Zonal placement:** Some zones will cross interconnection boundaries, requiring special consideration regarding transmission cost allocation and revenue recovery.

- **Planning criteria:** SPP will employ a single FERC Order 1000 process for the entire market footprint while maintaining coordination with local planning groups.

- **Transmission Rates:** To ensure an efficient, one-market solution, SPP developed network and point-to-point transmission rates for crossing interconnection boundaries that allow for proper revenue recovery while eliminating pancaking.

- **Governance**: Several changes and additions will be made to recognize Eastern and Western Interconnection diversity.

The following policy revisions are necessary to integrate the West parties into the SPP RTO.

POLICY REVISIONS FOR BOARD OF DIRECTORS' APPROVAL

1. Modify the SPP Bylaws:
    - The organizational group selection process in Section 3.1 should consider Eastern and Western Interconnection diversity when selecting participants as named members
    - Expand the Strategic Planning Committee by two seats, one for Transmission Owning and one for Transmission Using members (as defined in Section 6.2).
2. Form a new, single Balancing Authority (West BA) encompassing the Western Area Colorado Missouri and Western Area Upper West Balancing Authorities.
3. Approve the West BA as a member of the Northwest Power Pool Reserve Sharing Group.
4. Expand SPP's current market by optimizing both BAs across the DC ties. The West parties will adopt the existing SPP Integrated Marketplace rules with only necessary modifications to incorporate a West BA into the existing market and to optimize the West DC ties.
5. If the East generation interconnection queue is experiencing a backlog at market launch, request a FERC waiver for West generation interconnection queue requests to be processed without waiting on the backlog to be cleared in the East queue.
6. Define transmission facilities added in the Western Interconnection under the tariff to be at or above 100 kV. Clarify language around DC tie facilities that does not alter the current application of Attachment AI regarding DC ties.
7. Utilize a single Order 1000 planning process for the SPP East and West footprints.
8. Perform the following studies:
    - LOLE study of the West consolidated footprint
    - Two additional sensitivity cases to identify possible AC system limitations in the East and West by modeling DC ties at their full capability.
9. Attachment AU is to be applicable only to the Transmission Owners in the Eastern Interconnection.

10. Extend the WAPA federal provisions and requirements to the Colorado River Storage Project (CRSP) Management Center (WAPA-CRSP) and Rocky Mountain Region (WAPA-RMR) and their respective zones CRSP zone and Loveland Area Projects (LAP) zone. There are similar provisions in the tariff for the Upper Great Plains Region (WAPA-UGP) and its Upper Missouri (UM) zone.

11. Manage the conversion from grandfathered service to SPP service using SPP's current process.

12. Follow the current zonal placement process.

13. Revise Point-to-Point and Network Transmission Service Rates:
Due to the UM zone and LAP zone having facilities in both interconnections, some rates for point-to-point (PTP) and network transmission service and the associated revenue distribution will be based on the amount of annual transmission revenue requirement (ATRR) specific to the facilities in an interconnection, as detailed below.

- For network and PTP service sinking within a zone in the West, the zonal charges under Schedules 7, 8, 9, and 11 will be based on the zonal ATRR and load in the entire sink zone, including both the East and West portions of the UM and LAP zones.
- For Schedules 7 and 8, PTP service exiting the SPP footprint into other points of delivery in the Western Interconnection will be priced at a rate equal to the SPP West zonal weighted average price for facilities and load only in the West.
- For zonal Schedule 11, PTP service exiting the SPP footprint into other points of delivery in the Western Interconnection will be priced at a rate equal to the SPP West zonal weighted average price for facilities and load only in the West.
- For region-wide Schedule 11, service that sinks within a zone in the West, including the western portion of the UM and LAP zones, or exits the SPP region from the West, the rate will be based on the region-wide facilities and load only in the West.
- For region-wide Schedule 11, service that sinks within a zone in the East, including the eastern portion of the UM and LAP zones, or exits the SPP region from the East, the rate will be based on the region-wide facilities and load only in the East.

POLICY REVISIONS FOR REGIONAL STATE COMMITTEE'S REVIEW

1. If modified, approve the Supply Adequacy Working Group's recommendations on the planning reserve margin based on loss of load expectation (LOLE) study results for the West Balancing Authority.

Throughout the document, the red icon indicates a governing document change that must be approved by the SPP board of directors.
The green icon indicates a governing document change that must be approved by the Regional State Committee.

BACKGROUND & PROCESS

POTENTIAL WEST EXPANSION OF RTO

All the participants in SPP's WEIS signed letters indicating their interest in joining the SPP RTO as well as expansion of existing members placing certain facilities under the terms and conditions of SPP's Open Access Transmission Tariff. This expansion opportunity in the Western Interconnection will help western utilities and states reach renewable objectives, enhance reliability, lower wholesale electricity costs, and create new trading opportunities for existing members in the East.

An independent study by the Brattle Group found that WEIS participants' membership in the SPP RTO will save $49 million annually: $24.2 million in new savings for current East members and $25.1 million in savings for new West participants.

The following West parties are interested in joining the SPP RTO by placing some or all of their facilities in the Western Interconnection under the SPP tariff:

- Basin Electric Power Cooperative *
- Colorado Springs Utilities
- Deseret Power Electric Cooperative
- Municipal Energy Agency of Nebraska (MEAN) *
- Tri-State Generation and Transmission Association *
- Western Area Power Administration (WAPA)
    - Colorado River Storage Project Management Center (WAPA-CRSP)
    - Rocky Mountain Region (WAPA-RMR)
    - Upper Great Plains Region- (WAPA-UGP) *

** existing SPP RTO member*

In 2021, these interested West parties met weekly to discuss SPP membership or expanded participation in the SPP RTO and Integrated Marketplace in the Western Interconnection.

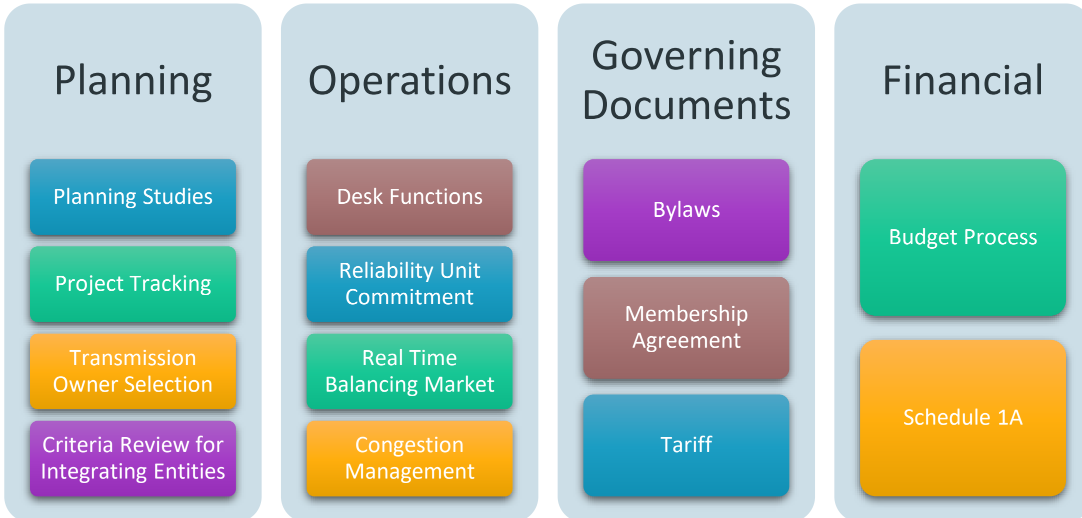
SPP will work with other entities that sign a letter indicating their interest in joining the SPP RTO in the West. Entities that are not participants of SPP's WEIS and are in a WEIS Balancing Authority Area can be part of the SPP RTO (for an estimated go-live date of March 1, 2024) if they sign the Commitment Agreement by April 15, 2022. With a sufficient commitment period, entities that are not participants in the SPP WEIS and not in the WEIS Balancing Authority Areas can be part of the SPP RTO as early as six months after the estimated March 1, 2024.

NEW MEMBER INTEGRATION PROCESS

SPP's Strategic Planning Committee oversees the new member integration process, and SPP staff act as the primary facilitator for the review. The SPC created a Members Forum and State Commission Forum in late 2020 to work with staff on new member integrations. The Members Forum is open to all SPP members. Twelve SPP members representing diverse backgrounds participate on the Members Forum Steering Committee:

MEMBERS FORUM MEMBER	COMPANY
Jim Jacoby, Lead	American Electric Power
Joe Lang, Lead	Omaha Public Power District
Dennis Florom	Lincoln Electric System
Steve Gaw	Advanced Power Alliance
Bill Grant	Xcel Energy
Brett Hooton	Gridliance High Plains
David Mindham	EDP Renewables North America
Robert Pick	Nebraska Public Power District
Jeff Riles	Google
Patrick Smith	Evergy
Al Tamimi	Sunflower Electric Power Corp
Mike Wise	Golden Spread Electric Cooperative

During January through June 2021, the Members Forum and its Steering Committee met regularly with SPP staff to discuss governing documents and operational changes needed to integrate the West parties into the SPP RTO. Discussion topics included:



The Members Forum created the Direct Current (DC) Tie Task Force to discuss the terms and conditions under which the four DC ties will be operated and managed. The task force has representatives from the Eastern and Western Interconnections and one representative from each DC tie owner. The group began meeting weekly in April 2021.

SPP staff is responsible for implementing the governing document changes that the Members Forum and West parties discussed. These changes are summarized in the following sections of this report.

The State Commission Forum is comprised of staff and commissioners from the Arkansas, Iowa, Kansas, Louisiana, Missouri, Nebraska, New Mexico, North Dakota, Oklahoma, Texas, and South Dakota state regulatory commissions. Some of these representatives also serve on SPP's Regional State Committee (RSC) and are Cost Allocation Working Group members. During January through June 2021, the forum received regular updates on the integration of West parties and outreach to western states' regulatory agencies. Any proposals from the West parties that impact the RSC's delegated areas of authority will be brought to the State Commission Forum for its review and consideration.

NEXT STEPS

Between May 2021 and April 2022, SPP will work with the prospective new members in the Western Interconnection to complete the appropriate reviews. SPP staff will support the necessary internal and public reviews required by the prospective members.

July 2021	April 2022	Oct. 2022	Q1 2023	March 1, 2024
West parties, board of directors and Regional State Committee approve terms and conditions policy level agreement	West parties execute commitment agreement Staff begins tariff modifications	SPP files tariff modifications with FERC	FERC approves tariff modifications	SPP expands RTO with new West members

POLICY AREAS

Board

GOVERNANCE

The West parties proposed two changes to the SPP bylaws:

1. The organizational group selection process in Section 3.1 should consider Eastern and Western Interconnection diversity when selecting participants as named members.
2. The Strategic Planning Committee (SPC), as defined in Section 6.2, would be expanded to include an additional participant in each of the Transmission Owning Member and Transmission Using Member sectors.

DC TIES

BACKGROUND

There are eight back-to-back DC ties in the United States and Canada, with a combined capacity of 1,470 MW, that connect the asynchronous Eastern and Western Interconnections. Seven of these back-to-back DC ties, with a combined capacity of 1,320 MW, are in the continental U.S. and connect SPP with the Western Interconnection. These DC ties provide a unique opportunity to develop the first organized market that spans two interconnections while expanding the current SPP RTO footprint.

Four of the DC ties in the United States are owned by current WEIS members and are the strategic enablers facilitating the westward expansion of the SPP RTO. Collectively, the WEIS DC tie owners will provide 640 MW of capacity for RTO operation.

The four DC ties are:

DC TIE	CAPACITY (MW)	OWNERSHIP	PERCENT OF CAPACITY
Miles City	200 E-W/150 W-E	WAPA-Upper Great Plains Basin (ownership-like rights)	WAPA-Upper Great Plains 60% Basin 40%
Rapid City*	200 bi-directional	Basin 65% Black Hills 35%	Basin 65% Black Hills 35%
Stegall	110 bi-directional	Tri-State	Basin 100%
Sidney	200 bi-directional	WAPA-Rocky Mountain Region	100%

**Only the Basin share of Rapid City will be available for market operation*

DC TIE TASK FORCE

The Members Forum established the DC Tie Task Force in April 2021 to discuss the terms and conditions under which the DC ties will be operated and managed. The group is addressing how to manage cost allocation of the legacy facilities, planning activities, point-to-point and network transmission rates, market utilization of the DC ties, and ARR/TCR allocations. Given the novel concept of operating a single market spanning two interconnections, with DC ties as the strategic enablers, the Members Forum wanted a balanced group to focus on these DC tie specific issues.

DC TIE TASK FORCE MEMBERS	
DC Tie Owners	
Basin Electric	Maria Tomac
Black Hills	Seth Nelson
Tri State	Mary Ann Zehr
WAPA-RMR	Raymond Vojdani
WAPA UGP	Lloyd Linke
Non-owning Western Member	
Deseret Power	Clay MacArthur
Eastern Membership Representatives	
AEP	Jim Jacoby
MEAN	Brad Hans
NPPD	Randy Lindstrom
WFEC	Brandon McCracken

The task force continues to evaluate options for DC tie use in the market. The taskforce has determined the following principles and concepts should be considered while working to develop an operations and cost recovery methodology:

- A single market solution allowing operation of the Integrated Marketplace in the Eastern and Western Interconnections
- The mechanism for recovering costs associated with the DC Ties from the market is to be roughly commensurate with the benefits.

- Congestion between East and West zones will be handled in a similar fashion to today's Integrated Marketplace.
- The market will utilize DC ties for maximum overall market benefit and dispatch them on a five-minute basis.
- The market design will not include a DC tie hurdle rate between interconnections for entities that utilize DC ties for transmission service.

The task force considered several ideas in pursuit of the ultimate solution:

- Full regional cost allocation of legacy and future DC tie assets via a regional load-based rate, including a phased approach to regional cost allocation. This option was not supported by the task force.
- Zonal cost allocation of legacy DC tie assets. DC tie rights holders would retain all risk and value of DC tie transmission rights of legacy assets by treating the DC ties as a simultaneous load and generation within the East and West zones. This option does not support a single market solution.
- Zonal cost allocation of legacy DC tie assets, regional cost allocation of future DC tie assets based on SPP planning criteria, and a market efficiency uplift (MEU) payment for market use of DC ties commensurate with market benefit up to the full ATRR of the DC tie facilities.

The task force is currently vetting the MEU option for SPP expansion into the west. FERC has indicated the following three policy principles in addressing storage as a transmission asset. Under the MEU option, these principles are deemed appropriate in this application of market-based revenue for compensation of DC tie facility costs.

1) **Avoid double-recovery of costs:** This would be achieved by providing for the crediting of market revenue against the ATRR as described below, but not permitting the Transmission Owner to retain an overcollection above the ATRR.

2) **Minimize adverse impacts on wholesale electric markets**: No bids or offers at the DC tie locations would be consistent with the way other entities have designed storage as a transmission-only asset.

3) **RTO/ISO independence**: This would be addressed through clearly distinguishing between the functional control of the RTO, including market dispatch, and the on-site operational control of the Transmission Owner.

OPERATIONS

Board

OPERATING RESERVES

Operating Reserves will not be optimized across the DC ties, but rather within each Balancing Authority footprint.

Board

BALANCING AUTHORITY

Due to the dynamics of operating a market in two asynchronous interconnections, SPP will form a new, single Balancing Authority (West BA) encompassing the current Western Area Colorado Missouri (WACM) and Western Area Upper West (WAUW) Balancing Authorities. NERC and WECC must certify the new West BA. SPP will request a waiver from the North American Energy Standards Board for tagging requirements between the two SPP BAs for market operation. If additional western Balancing Authorities join the SPP RTO, the West BA would be expanded to include new areas.

BALANCING AUTHORITY AGREEMENTS

The WACM and WAUW have existing BA agreements and available transmission capacity agreements and arrangements that need to be terminated. The BA functions need to be transferred to West BA. WACM and WAUW will no longer perform any BA functions after market go live.

RELIABILITY COORDINATOR

SPP acts as the Reliability Coordinator (West RC) under contract for the WEIS participants. The West RC will continue to provide RC services for the new RTO West footprint, as well as providing contract RC services for current West RC members that are not joining RTO West or participating in the WEIS. Upon joining the RTO, new members will receive RC services as members and the existing RC contract will be terminated.

Board

RESERVE SHARING

The SPP West BA will be a member of the Northwest Power Pool Reserve Sharing Group (NWPP RSG). The current WAPA BAs (WACM and WAUW) are NWPP RSG members. The SPP West BA will develop a settlements process for transactions under the NWPP RSG.

MARKET DESIGN

With the addition of the West parties, SPP will continue to operate with one Integrated Marketplace. The West parties will adopt the existing SPP Integrated Marketplace rules with only necessary modifications to incorporate a western Balancing Authority into the existing market and to optimize the DC ties within the expanded market footprint. SPP will manage the flow on the DC ties using a single, co-optimized market solution.

Due to the usage of a dual reference bus model, marginal energy cost convergence between the East and West portions of the Integrated Marketplace may not occur. Convergence of the locational marginal prices on either side of the DC ties may exist when the DC ties are unconstrained. When delivery limitations exist on the DC ties or the underlying transmission system, there will be potential for divergence between the settlement locations representing both sides of the DC tie.

The overall concept outlined here allows for SPP to accurately calculate the market pricing for a dual interconnection market without breaking the fundamental price calculation principles used in the Integrated Marketplace.

COMPLIANCE

PLANNING COORDINATOR TASKS

SPP will act as the Planning Coordinator for the RTO West parties. SPP will perform the responsibilities of the Planning Coordinator as defined in applicable NERC Standards and WECC Criteria (e.g., TPL-001-WECC-CRT-3.2). SPP will not act as the Transmission Planner or fulfill Transmission Planner responsibilities. SPP will not act as the Planning Coordinator or fulfill Planning Coordinator responsibilities for NERC registered entities that have not signed the SPP membership agreement or who do not have a separate agreement with SPP for Planning Coordinator services.

OPERATIONS TASKS

SPP currently acts as the Reliability Coordinator and is responsible for applicable NERC Standards and WECC Criteria associated with RC functions. SPP will begin operating as a single Balancing Authority in the Western Interconnection and will assume applicable NERC Standards and WECC Criteria associated with BA responsibilities. SPP will not act as the Transmission Operator or fulfill Transmission Operator responsibilities.

TRANSMISSION PLANNING

Board

GENERATION INTERCONNECTION

The SPP tariff will have one defined generation interconnection (GI) process that will apply to both the Western and Eastern Interconnections. SPP is working on clearing the backlog for the East GI queue. SPP shall request a waiver from FERC for West GI queue requests to be processed should the East backlog to not be cleared at go-live. The timing of integrating the West parties and clearing the East backlog will determine if a waiver request is needed. If a waiver is needed, it will only be until the East queue is cleared; then SPP will have a single queue for the East and West. The queue position for the West interconnection will not be impacted by the East backlog clearing.

SPP has made changes to its GI process to address the cascading restudies caused by withdrawing projects late in the process that created the backlog. The study process changes have been in effect since July 1, 2019. SPP will utilize its current process to conduct GI studies for requests in both the Eastern and Western Interconnections. The SPP board of directors will consider recommendations for addressing the East GI backlog in July 2021.

Board

TRANSMISSION DEFINITION

The agreed definition of which western facilities qualify to be transmission under the SPP Tariff differs slightly from the existing Attachment AI definition. Transmission facilities added in the West will include existing non-radial lines, substations, and associated facilities, operating at 100 kV or above, plus radial lines and associated facilities operated at or above 100 kV that serve two or more eligible customers that are not affiliates of each other. Clarifying language will be added around DC tie facilities that does not alter the current application of Attachment AI with regard to DC ties. These tariff changes will not be applicable to entities in the Eastern Interconnection for which the current tariff uses a standard voltage threshold of 60 kV. The current transmission definition including facilities “at or above 60 kV” will continue to be applicable to entities in the Eastern Interconnection.

LOCAL PLANNING COORDINATION

SPP’s regional planning process, specifically the Integrated Transmission Planning (ITP) assessment, will review locally planned upgrades resulting from a preexisting state or FERC-approved local planning process. As SPP performs the ITP it will evaluate whether a regional solution can solve needs resulting from both local and regional criteria in a more cost effective way than upgrades produced by the local planning process. SPP will also identify those local upgrades that are required to be constructed in coordination with a regional upgrade.

Board

RSC

RESOURCE ADEQUACY ANALYSIS

SPP will perform an LOLE study of the West footprint. The study will evaluate the possibility of adopting a minimum planning reserve margin for the Western Interconnection that is different from the currently approved planning reserve margin, with due consideration of the DC tie capacities. SPP will review the need for a separate analysis for accreditation of generation resources in the West region.

The RSC will be asked to consider the Supply Adequacy Working Group's recommendations on the planning reserve margin based on LOLE study results for the West BA.

TRANSMISSION FEASIBILITY

SPP will perform a transmission criteria review study comparable to the studies SPP performed to integrate both Nebraska and the Integrated System entities. The study will assess transmission system adequacy for meeting firm service obligations in the West footprint at the time of integration. Any transmission upgrades required from this study will be recovered from the responsible entity's customers and will not be eligible for regional cost allocation.

SPP will perform two additional sensitivity cases to identify possible limitations of the AC system in both East and West region by modeling the DC ties at their full capability in both directions. This study will be for informational purposes only.

Board

WESTERN AREA POWER ADMINISTRATION SPECIFIC PROVISIONS

The WAPA federal provisions and requirements will be extended to the Colorado River Storage Project Management Center (WAPA-CRSP) and the Rocky Mountain Region (WAPA-RMR) and their respective zones, as applicable. These are similar provisions in the current tariff for Upper Great Plains Region (WAPA-UGP) and its facilities in the UM zone, including the Federal Service Exemption. SPP will make revisions as necessary to maintain UGP's prior arrangements with the addition of WAPA-CRSP and WAPA-RMR, and include additions to address new WAPA requirements (primarily for WAPA-CRSP and WAPA-RMR) in the SPP West area. The WAPA federal provisions are summarized in Attachment 1.

The Federal Service Exemption, as found in Section 39.3 of the tariff, will apply to all project costs eligible for regional cost allocation.

WAPA is still engaged with SPP and discussing potential additional terms and conditions it may need for WAPA-CRSP.

ATTACHMENT AU

PROCEDURES FOR ALLOCATION OF REVENUES RESULTING FROM THE SETTLEMENT AGREEMENT IN COMMISSION DOCKET NOs. EL11-34-002, et al.

Attachment AU describes the distribution of revenue received from the Midcontinent Independent System Operator (MISO), under a settlement agreement, to SPP Transmission Owners based on estimated flow impacts resulting from energy transfers between MISO North and South subregions. Attachment AU will be clarified to state that such revenues are allocated only to Transmission Owners in the Eastern Interconnection.

EXISTING AGREEMENTS

GRANDFATHERED AGREEMENTS

SPP staff is working with the West parties to assist them with determining how and when grandfathered agreements can be converted to transmission service under the SPP tariff.

SPP staff will continue to work with West parties regarding other agreements (e.g., the Missouri Basin Power Project Agreement), as requested. SPP and the West parties continue to work toward solutions to converting existing rights to transmission service under the SPP tariff.

SEAMS AGREEMENTS

SPP has functional seams agreements with neighboring Transmission Service Providers, Reliability Coordinators, Balancing Authorities, Planning Coordinators, Market Operators, and Planning Regions in the Eastern Interconnection. SPP will work with integrating entities in the Western Interconnection to determine the level of coordination that may be required for each function. SPP will prioritize activities that are required by NERC and/or FERC. In many cases, existing Western processes and procedures may be sufficient. At the appropriate time, SPP will reach out to neighboring entities to establish new coordination processes that are identified as required.

For negotiations between SPP and their neighbors to develop seams agreements, SPP will utilize the process established under a Memorandum from the Seams Steering Committee to SPP.

ZONAL CONSTRUCT

The current zonal placement process will be followed in the Western Interconnection. Among the size criteria SPP applied in recent reviews is a comparison of the proposed ATRR to a minimum threshold based on a three-year average.

Board

POINT-TO-POINT TRANSMISSION SERVICE [1]

This proposal details the point-to-point (PTP) transmission service rate design and revenue distribution under the SPP tariff to include Western Interconnection transmission pricing zones (West) in the SPP RTO.

OUTLINE OF PROPOSAL

1) To the extent practicable, costs in the West are borne by load in the West and costs in SPP pricing zones in the Eastern Interconnection (East) are borne by load in the East.
2) All zones are wholly contained in either the East or the West with the exception of the UM and LAP zones, which will have facilities in both interconnections.
3) PTP transmission service revenue distribution is based on either the sink zone or the interconnection of exit from the SPP region.
    a) If PTP transmission service sinks in the East or exits to the Eastern Interconnection from SPP East, revenue stays with Transmission Owners in the East except for zonal revenues in the UM and LAP zones.
    b) If PTP transmission service sinks in SPP West or exits to the Western Interconnection from SPP West, revenue stays with Transmission Owners in the West except for zonal revenues in the UM and LAP zones.
4) In general, the PTP transmission service rates are calculated by dividing the applicable annual transmission revenue requirement (ATRR) by the corresponding load used for network load ratio share. However, SPP West PTP rate methodology may differ from SPP East methodology for transmission service that exits the SPP region.

POINT-TO-POINT TRANSMISSION SERVICE UNDER SCHEDULES 7 AND 8

RATES

Each zone's rates under Schedules 7 and 8 are based on the zonal Schedule 9 ATRR divided by zonal average coincident peak load. PTP transmission service exiting the SPP footprint into other points of delivery in the Western Interconnection will be priced at a rate equal to the SPP West zonal weighted average price. The weighting will be calculated as the total Schedule 9 ATRR in the West divided by the total load in the West that is used in determining zonal load ratio share

[1] Tables are posted to SPP.org with more details on Network and PTP transmission service rates and revenue distribution.

under Schedule 9. This applies to transmission service originating in both the Eastern and Western Interconnections, regardless of whether or not that source is located in the SPP region.

PTP transmission service exiting the SPP footprint into other points of delivery in the Eastern Interconnection will be priced at a rate equal to the lowest rate of those SPP pricing zones in the East that are interconnected with the external point of delivery. This applies to transmission service originating in both the Eastern Interconnection and Western Interconnection, regardless of whether or not that source is located in the SPP region.

PTP transmission service sinking within a West zone will be priced at a rate equal to the sink zonal rate, including service that sinks in the portion of the UM or LAP zone in the West. The UM zonal rate and the LAP zonal rate will be calculated based on the zone's total Schedule 9 ATRR and load in both the East and West.

PTP transmission service sinking within an East zone will be priced at a rate equal to the sink zonal rate, including service that sinks in the portion of the UM or LAP zone in the East. The UM zonal rate and the LAP zonal rate will be calculated based on the zone's total Schedule 9 ATRR and load in both the East and West.

REVENUE DISTRIBUTION UNDER SCHEDULES 7 AND 8

For PTP transmission service that sinks in the West, the revenue will be distributed to Transmission Owners located in the West based 50% on Schedule 9 ATRR and 50% on MW-mile impacts. For PTP transmission service that does not source and sink in the same zone, the ATRR and MW-mile distribution considers all Transmission Owners in the West.

For PTP transmission service that sinks in the East, the revenue will be distributed to Transmission Owners located in the East based 50% on Schedule 9 ATRR and 50% on MW-mile impacts. For PTP transmission service that does not source and sink in the same zone, the ATRR and MW-mile distribution considers all Transmission Owners in the East.

In determining the Schedule 9 ATRR to be used for revenue distribution when the source and sink are not in the same zone, the UM and LAP zonal Transmission Owners must separate their ATRR between East and West such that only the eastern portion will be used for East revenue distribution and only the western portion will be used for West revenue distribution.

If the service sources and sinks in the same zone, including both the eastern and western sides of the UM and LAP zones, all Schedule 9 Transmission Owners in that source/sink zone will receive revenue from charges under Schedules 7 and 8 based 50% on Schedule 9 ATRR and 50% on MW-mile impacts.

POINT-TO-POINT TRANSMISSION SERVICE UNDER SCHEDULE 11

ZONAL RATES

PTP transmission service sinking within any zone in the SPP region will be priced at a rate equal to the sink's Schedule 11 zonal rate. The UM Schedule 11 zonal rate and the LAP Schedule 11 zonal rate will be calculated based on the zone's Schedule 11 zonal ATRR and load in both the East and West.

PTP transmission service exiting the SPP footprint into other points of delivery in the Western Interconnection will be priced at a rate equal to the SPP West zonal weighted average price. The weighting will be calculated as the total Schedule 11 zonal ATRR in the West, including the western portion of Schedule 11 zonal ATRR in the UM and LAP zones, divided by the total load in the West that is used in determining zonal load ratio share under Schedule 11.

PTP transmission service exiting the SPP footprint into other points of delivery in the Eastern Interconnection will be priced at a rate equal to the SPP East zonal weighted average price. The weighting will be calculated as the total Schedule 11 zonal ATRR in the East, including the eastern portion of the Schedule 11 zonal ATRR in the UM and LAP zones, divided by the total load in the East that is used in determining zonal load ratio share under Schedule 11. These rules apply to transmission service originating in both the Eastern Interconnection and Western Interconnection, regardless of whether or not that source is located in the SPP region.

ZONAL REVENUE DISTRIBUTION UNDER SCHEDULE 11

For PTP transmission service that sinks in an SPP zone in either the East or West, including both the eastern and western sides of the UM and LAP zones, the revenue will be distributed to the Transmission Owners with Schedule 11 zonal ATRR in the sink zone. Such distribution will be in proportion to their Schedule 11 zonal ATRR in that zone.

For PTP transmission service that exits the SPP region from the West, the revenue will be distributed to all Transmission Owners with Schedule 11 zonal ATRR in the West, in proportion to their western Schedule 11 zonal ATRR.

For PTP transmission service that exits the SPP region from the East, the revenue will be distributed to all Transmission Owners with Schedule 11 zonal ATRR in the East, in proportion to their eastern Schedule 11 zonal ATRR.

In determining the Schedule 11 zonal ATRR to be used for revenue distribution when the service exits the SPP region, the UM and LAP zonal Transmission Owners must separate their Schedule 11 zonal ATRR between East and West such that only the eastern portion will be used for East revenue distribution and only the western portion will be used for West revenue distribution.

REGION-WIDE RATES

PTP transmission service sinking within a West zone, including the western portion of the UM and LAP zones, or exiting the SPP footprint into other points of delivery in the Western Interconnection will be priced at the West region-wide rate, which will be calculated as the total Schedule 11 region-wide ATRR in the West divided by the total load in the West that is used in determining region-wide load ratio share under Schedule 11. The Schedule 11 region-wide ATRR and load will be calculated based on facilities and load located only in the West.

PTP transmission service sinking within an East zone, including the eastern portion of the UM and LAP zones, or exiting the SPP footprint into other points of delivery in the Eastern Interconnection will be priced at the East region-wide rate, which will be calculated as the total Schedule 11 region-wide ATRRs in the East divided by the total loads in the East that are used in determining region-wide load ratio shares under Schedule 11. PTP service sinking within the UM zone in the East will include only ATRR for facilities subject to rate recovery after the October 1, 2015, bright-line date. The Schedule 11 region-wide ATRRs and loads will be calculated based on facilities and loads located only in the East.

REGION-WIDE REVENUE DISTRIBUTION UNDER SCHEDULE 11

For PTP transmission service that sinks within a zone in the West, including the western portion of the UM and LAP zones, or exits the SPP region from the West, the revenue will be distributed to Transmission Owners with Schedule 11 region-wide ATRR in the West. Such distribution will be in proportion to their western Schedule 11 region-wide ATRR.

For PTP transmission service that sinks within a zone in the East, including the eastern portion of the UM and LAP zones, or exits the SPP region from the East, the revenue will be distributed to Transmission Owners with Schedule 11 region-wide ATRR in the East. Such distribution will be in proportion to their eastern Schedule 11 region-wide ATRR.

NETWORK TRANSMISSION SERVICE

This proposal details the network integration (Network) transmission service rate design and revenue distribution under the SPP Tariff for inclusion of Western Interconnection transmission pricing zones (West) in the SPP RTO.

OUTLINE OF PROPOSAL

1) To the extent practicable, costs in the West will be borne by load in the West and costs in SPP pricing zones in the Eastern Interconnection (East) will be borne by load in the East.
2) All zones will be wholly contained in either the East or the West with the exception of the UM and LAP zones, which will have facilities in both interconnections.

3) Network transmission service charges and resulting revenue distribution will be based on either the sink zone in the SPP region or the delivery point external to the SPP region.
    c) If Network transmission service sinks in the East or exits to the Eastern Interconnection from SPP East, revenue stays with Transmission Owners in the East except for zonal revenues in the UM and LAP zones.
    d) If Network transmission service sinks in SPP West or exits to the Western Interconnection from SPP West, revenue stays with Transmission Owners in the West except for zonal revenues in the UM and LAP zones.
4) In general, the Network transmission service charges will be calculated by multiplying each customer's load ratio share by the applicable annual transmission revenue requirement (ATRR).

NETWORK TRANSMISSION SERVICE UNDER SCHEDULE 9

RATES

Each zone's charges under Schedule 9 will be based on the zonal Schedule 9 ATRR multiplied by each customer's zonal load ratio share. Network transmission service sinking within any zone in the SPP region will be charged based on the sink's Schedule 9 zonal rate, including service that sinks in the UM or LAP zones. The UM zonal rate and the LAP zonal rate will be calculated based on the zone's total Schedule 9 ATRR and load in both the East and West.

Network transmission service exiting the SPP region to load through the UM zone will be charged based on the UM zone's Schedule 9 rate.

Network transmission service exiting the SPP region from zones other than the UM zone will be charged based on the lowest Schedule 9 charge of the zones interconnected with the external point of delivery.

The above rules apply to transmission service originating from Network resources in either the Eastern Interconnection or Western Interconnection.

REVENUE DISTRIBUTION UNDER SCHEDULE 9

For Network transmission service that sinks in the SPP region, the Schedule 9 revenue will be distributed to Transmission Owners with Schedule 9 ATRR in the sink zone, in proportion to their Schedule 9 ATRRs. When the UM or LAP zone is the sink, the ATRR of both the eastern and western sides of the zone will be included in such distribution.

For Network transmission service that sinks outside the SPP region, the Schedule 9 revenue will be distributed to Transmission Owners with Schedule 9 ATRR in the zone that is used to determine Schedule 9 charges, in proportion to their Schedule 9 ATRRs.

NETWORK TRANSMISSION SERVICE UNDER SCHEDULE 11

ZONAL RATES

Network transmission service sinking within any zone in the SPP region will be charged based on the sink's Schedule 11 zonal ATRR and load. The UM Schedule 11 zonal rate and the LAP Schedule 11 zonal rate will be calculated based on the zone's Schedule 11 zonal ATRR and load in both the East and West.

Network transmission service exiting the SPP region will be charged based on the Schedule 11 zonal rate of the zone used for Schedule 9 charges to the same Network load. The UM zonal rate and the LAP zonal rate will be calculated based on the zone's total Schedule 11 zonal ATRR and load in both the East and West.

The above rules apply to transmission service originating from Network resources in either the Eastern Interconnection or Western Interconnection.

ZONAL REVENUE DISTRIBUTION UNDER SCHEDULE 11

For Network transmission service that sinks in an SPP zone in either the East or West, including both the eastern and western sides of the UM and LAP zones, the revenue will be distributed to the Transmission Owners with Schedule 11 zonal ATRR in the sink zone. Such distribution will be in proportion to their Schedule 11 zonal ATRR in that zone.

For Network transmission service that exits the SPP region, the revenue will be distributed to the Transmission Owners with Schedule 11 zonal ATRR in the zone used in determining the Schedule 11 zonal rate for that Network load, in proportion to their Schedule 11 zonal ATRR.

REGION-WIDE RATES

Network transmission service sinking within a West zone, including the western portion of the UM and LAP zones, or exiting the SPP region into other delivery points in the Western Interconnection, will be charged based on the West region-wide ATRR multiplied by the West region-wide load ratio share. The Schedule 11 region-wide ATRR and load will be calculated based on facilities and load located only in the West, including only the West portions of the UM and LAP zones.

Network transmission service sinking within an East zone, including the eastern portion of the UM and LAP zones, or exiting the SPP region into other delivery points in the Eastern Interconnection, will be charged based on the East region-wide ATRRs multiplied by the applicable East region-wide load ratio shares. Network service sinking within the UM zone in the East will include only ATRR for facilities subject to rate recovery in accordance with the October 1, 2015, bright-line date. The Schedule 11 region-wide ATRRs and loads will be calculated based on facilities and loads located only in the East, including only the East portions of the UM and LAP zones.

REGION-WIDE REVENUE DISTRIBUTION UNDER SCHEDULE 11

For Network transmission service that sinks within a zone in the West, including the western portion of the UM and LAP zones, or exits the SPP region from the West, the revenue will be distributed to Transmission Owners with Schedule 11 region-wide ATRR in the West. Such distribution will be in proportion to their western Schedule 11 region-wide ATRR.

For Network transmission service that sinks within a zone in the East, including the eastern portion of the UM and LAP zones, or exits the SPP region from the East, the revenue will be distributed to Transmission Owners with Schedule 11 region-wide ATRR in the East. Such distribution will be in proportion to their eastern Schedule 11 region-wide ATRR.

COMMITMENT AGREEMENT

Board

The RTO West parties who decide to move forward following their internal and stakeholder processes and approvals would execute a Commitment Agreement before April 15, 2022, for an estimated go live date of March 1, 2024. SPP would execute the Commitment Agreement. The Commitment Agreement would commit SPP to perform work and incur costs that will allow SPP to integrate the RTO West parties.

The agreement would commit the RTO West parties to perform work that will prepare them to integrate, and if they decide not to do so, they are obligated to pay SPP for costs as defined in the Commitment Agreement. SPP's costs will be identified, and allocated, in the agreement and each RTO West party will be responsible to pay SPP its share of those costs should it decide to not integrate.

The RTO West Parties and SPP are evaluating the specific terms and provisions of the Commitment Agreement. The details of the following concepts are being vetted and negotiated and are anticipated to be included in the final agreement:

- The agreement allows for changes to the integration costs to be made by SPP.
- Implementation delay costs
- The agreement can be terminated by any party without cause. If a West party terminates the agreement, that party pays SPP its share of SPP's costs.
- If SPP terminates the agreement, the West parties pay SPP 50% of SPP's costs.
- Other participants may be able to integrate at the same time as the West parties if SPP determines it is feasible and those parties execute a Commitment Agreement.
- The agreement terminates upon integration of the SPP West parties.
- The agreement will contain certain provisions applicable to the Western Area Power Administration and its participation in the integration.
- Integration costs for new member integration are recovered by SPP schedule 1-A rates on the membership effective date.

ATTACHMENT 1: SUMMARY OF WAPA FEDERAL PROVISIONS

1. Extend existing WAPA-UGP provisions.
    a. WAPA-CRSP and WAPA-RMR participation subject to existing WAPA-UGP Federal Laws and Regulations provisions: OATT Section 39.3(a) Subject to Acts of Congress; 39.3(b) Contingent upon Appropriations and Authorization; 39.3(c) Employment Practices; 39.3(i) Advance funding required for WAPA work under the Tariff, 39.3(J) Liability of WAPA is limited; 39.3(k) WAPA's rate review pursuant to its applicable regulations; and 39.3(l) WAPA not subject to State requirements in Section 39.1.
    b. Extend existing WAPA-UGP Co-supply provisions to WAPA-CRSP and WAPA-RMR (OATT Section 39.3(d))
    c. Extend existing WAPA-UGP Federal Service Exemption (FSE) to WAPA-CRSP and WAPA-RMR (OATT Section 39.3(e) and Attachment AE, Section 8.2.3)
        i. Exemption from Region-wide Charges internal to its Zone, or external to SPP (39.3(e)(i))
        ii. Exemption from Congestion and Marginal Loss Charges for WAPA-CRSP and WAPA-RMR deliveries from its Federal Resources to its Statutory Load Obligations, and provision of real power losses across its Zone (39.3(e)(ii))
    d. Extend existing WAPA-UGP limitations and coordination requirements with Corps of Engineers and/or Bureau of Reclamation projects to WAPA-CRSP and WAPA-RMR (OATT Section 39.3(f))
    e. Extend existing WAPA-UGP treatment of Federal Resources as Designated Resources to WAPA-CRSP and WAPA-RMR (OATT Section 39.3(g))
    f. Extend existing WAPA-UGP Federal requirements for interconnections to, or modifications to WAPA transmission facilities (including environmental requirements under NEPA) to WAPA-CRSP and WAPA-RMR (OATT Section 39.3(h))
    g. Extend existing WAPA-UGP limitations for no expansion of jurisdiction, waiver of defenses, liability for penalties, or inconsistent obligations to WAPA-CRSP and WAPA-RMR (OATT Section 39.3(m) and ByLaws Section 8.7.5)

2. New OATT Section 39.3(n) for all WAPA members (WAPA-CRSP, WAPA-RMR, and WAPA-UGP) to clarify the affiliate treatment of multiple WAPA divisions as SPP TO Members

under the tariff.

3. In the Membership Agreement, Section 4.2.2, add provision similar to WAPA-UGP's existing provision for WAPA-CRSP and/or WAPA-RMR to terminate SPP membership if other TOs withdraw from SPP or remove their facilities in the Western Interconnection portion of the RTO. In Membership Agreement Amendments A1.3, add revisions for WAPA divisions to reflect current WAPA participation by either WAPA-CRSP, WAPA-RMR, or WAPA-UGP on the Members Committee and the Federal Power Marketing Agency representative on Corporate Governance Committee.