

Exhibit No.
Issue: SPP Annual Transmission Revenue Requirements
Witness: L. Patrick Bourne
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Electric Co.
Case No. ER-2012-0345
Date Testimony Prepared: July 2012

Before the Missouri Public Service Commission

Direct Testimony

of

**L. Patrick Bourne
Director, Transmission Policy
Southwest Power Pool, Inc.**

July 2012

**DIRECT TESTIMONY
OF
L. PATRICK BOURNE
ON BEHALF OF
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2012-0345**

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS FOR**
2 **THE RECORD.**

3 A. My name is L. Patrick Bourne. My position is Director, Transmission Policy at
4 Southwest Power Pool, Inc. ("SPP"). My business address is Southwest Power Pool,
5 Inc., 415 North McKinley, Suite 140, Plaza West Building, Little Rock, Arkansas,
6 72205-3020.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
8 **QUALIFICATIONS.**

9 A. I received a Bachelor of Science degree in electrical engineering from the University
10 of Arkansas in 1968. I have attended postgraduate courses in electrical engineering at
11 Lamar University. I have 44 years of experience in the electric utility industry.
12 I worked for Entergy Gulf States Utilities Company for 25 years, with progressive
13 assignments in: transmission design; transmission and distribution operations;
14 transmission planning; system planning; generation maintenance; and transmission
15 and wholesale power contracting. My various assignments included positions as
16 Director of Transmission Planning and Technical Consultant - Power
17 Interconnections. These assignments included responsibilities in the area of inter-
18 company, regional, and interregional activities. Subsequent to the merger of Gulf

1 States Utilities and the Entergy Corporation, I worked for Entergy as the Technical
2 Consultant - Transmission Policy for approximately three years. I have been
3 employed by SPP for fifteen years with progressive assignments in the area of
4 transmission policy.

5 I am a Registered Professional Engineer in the State of Texas and have attended a
6 number of advanced technical and management courses.

7 **Q. WHAT ARE YOUR PRIMARY DUTIES AT SPP?**

8 A. As Director, Transmission Policy, I assist the Senior Vice President, Regulatory
9 Policy and General Counsel, and the SPP management team in addressing ongoing
10 and strategic transmission policy issues. This role requires me to have broad and
11 detailed experience and knowledge of SPP history, governing documents,
12 stakeholders, and the national and pertinent state transmission policy directions and
13 issues and how they apply within the SPP culture and organization. I provide federal
14 and state transmission policy support, as necessary, for stakeholders and other SPP
15 departments and assist the coordination of policy issues between and within other
16 departments to ensure regulatory compliance. I also provide support for associated
17 SPP and North American Electric Reliability Corporation technical subcommittees
18 and working groups.

19 My primary responsibilities include leading and assisting internal, external or
20 combined groups to address and resolve transmission policy issues. I also assess
21 areas of needed change and/or improvement leading to the resolution of issues and
22 monitor administration of SPP's governing documents to ensure compliance with
23 requirements and obligations of the SPP Open Access Transmission Tariff ("SPP

1 Tariff”). In addition, I support the various organizational groups of SPP, specifically
2 the Regional Tariff Working Group and the Market Operations Policy Committee.
3 As Director, Transmission Policy, I develop needed strategic whitepapers and
4 guidance to benefit other members of the SPP management team or the SPP
5 membership. I represent SPP on specified transmission policy related research and
6 development groups and maintain a working knowledge of the approaches, issues,
7 filings and outcomes of other transmission providers, as well as SPP members. I also
8 communicate frequently with senior management regarding organizational vision,
9 strengths, weaknesses, and progress towards SPP strategy and goals, as well as
10 provide assistance to other departments and employees, as needed.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY THIS CASE?**

12 A. I will present SPP’s latest forecast of zonal Annual Transmission Revenue
13 Requirement (“ATRR”). This forecast was made by the SPP on June 25, 2012, and
14 represents SPP’s latest look at the future zonal transmission revenue requirements in
15 the SPP.

16 **Q. HOW IS THE ATRR FORECAST DEVELOPED BY THE SPP?**

17 A. The SPP planning process is described in Attachment O of the SPP Open Access
18 Transmission Tariff (“OATT”). The result of this process is a plan for the expansion
19 of the SPP Transmission System. This plan identifies new facilities and facility
20 upgrades that will be constructed in the SPP footprint. The ATRRs for these facilities
21 are recovered at the wholesale level through several mechanisms of the OATT,
22 primarily through a Base Plan Zonal and Base Plan Regional rate. This Base Plan
23 ATRR is allocated to the Pricing Zones using one of three processes:

1 1. "Original Base Plan Funding" for facilities authorized by SPP before June 19,
2 2010.

3 2. "Balanced Portfolio" for facilities included in a specific Balanced Portfolio of
4 economic projects.

5 3. "Highway Byway Base Plan Funding" for facilities authorized by SPP on or after
6 June 19, 2010.

7 **Q. PLEASE DESCRIBE HOW THE PROCESSES WORK.**

8 A. Each of the three different cost allocation methods allocates the total ATRR of each
9 individual project to each SPP Pricing Zone for recovery from transmission
10 customers whose charges are subject that Zone's rates.

11 A forecast is developed to predict when and how much the future upgrades will
12 impact each transmission customer's Schedule 11 rates through the allocation of the
13 ATRR.

14 This forecast also considers Balanced Portfolio Balancing Transfers, depreciation of
15 the assets (2.5% straight line/40 year life), pricing zone load ratio shares, individual
16 transmission owner's net plant carrying charges (including Operation &
17 Maintenances expenses, administrative and general, return on investment, taxes, etc.),
18 and Construction Work In Progress ("CWIP") for projects with special FERC
19 approval.

20 The forecast assumes that everything that has been issued a Notification to Construct
21 ("NTC") by SPP, is in approved and active status, and is actually built and placed-
22 into rates.

1 Q. HOW IS THE OVERALL SPP ATRR ALLOCATED TO THE VARIOUS SPP
2 ZONES, INCLUDING THE EMPIRE DISTRICT ELECTRIC COMPANY
3 (“EMPIRE”) ZONE?

4 A. Several factors determine how ATRR is allocated to the SPP Pricing Zones. If the
5 facility was given its NTC before June 19, 2010, then the upgrade cost allocates 33%
6 to the entire SPP region on a Load Ratio Share basis. The remaining 67% allocates to
7 the Pricing Zones on a megawatt mile basis (“MW-mi”). MW-mi is an engineering
8 calculation that determines which Zones have a benefit from the installation of the
9 new line when compared to the unchanged topology.

10 If the new facility received its NTC on or after June 19, 2010, then the cost allocation
11 to various Pricing Zones depends upon facility’s voltage according to the following
12 schedule, which has been called the “Highway Byway” method:

Highway Byway Cost Allocation		
Voltage	Regional	Zonal
300 kV and Above	100%	0%
100 kV – 299 kV	33%	67%
Below 100 kV	0%	100%

13 The transmission investment subject to the Highway Byway cost allocation method
14 represents the largest category of transmission investment subject to the SPP OATT.

1 Q. **HOW IS EMPIRE'S ZONAL ATRR FORECAST TO CHANGE FROM 2012**
2 **TO 2015?**

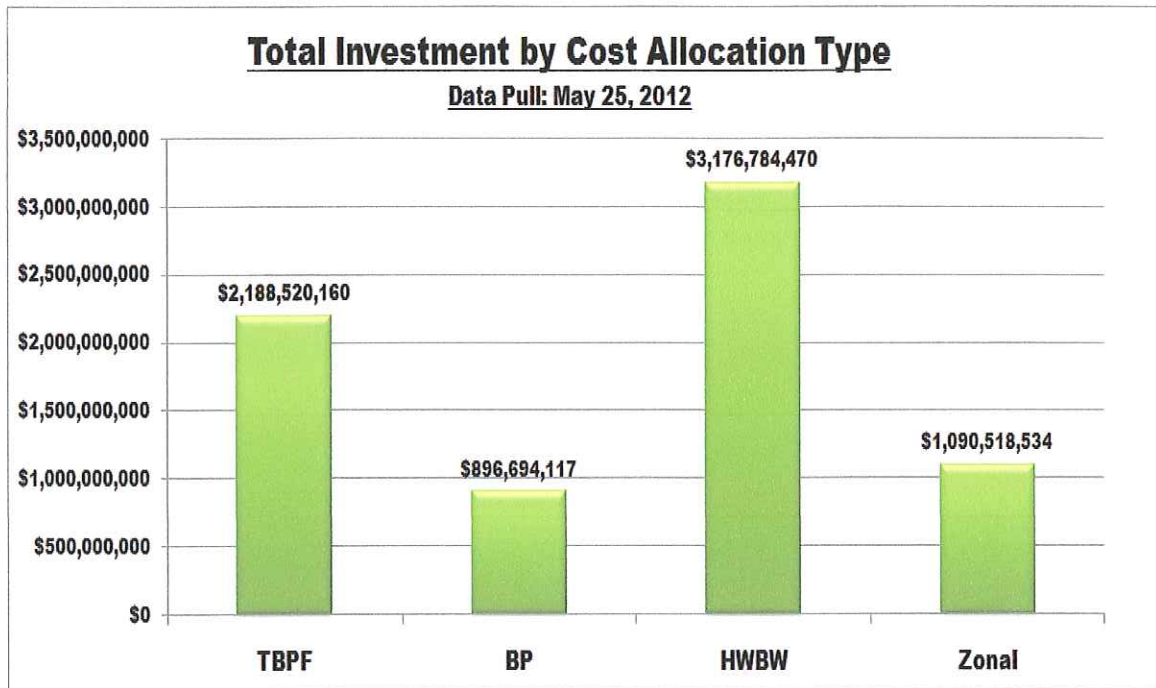
3 A. The ATRR from Base Plan Upgrades forecasted to be collected from transmission
4 customers subject to the rates for the Empire pricing zone through the Schedule 11
5 rate is expected to increase from \$7.5M/yr in 2012 to \$14.7M/yr by 2015.

6 Q **DOES SPP PERIODICALLY ADJUST THE RATES CHARGED TO ITS**
7 **MEMBERS TO RECOVER THE ATRR FOR EACH ZONE?**

8 A. Yes. As the various transmission owners change their transmission rates at the
9 Federal Energy Regulatory Commission ("FERC"), SPP will adjust its transmission
10 rates to reflect the rate changes approved by the FERC. The majority of the
11 transmission owners have had formula transmission rates approved by the FERC,
12 and, in general, the transmission owner's formula rate process leads to annual
13 changes in rates for each of the transmission owners. The exact timing of the annual
14 rate change varies for each transmission owner, so SPP's transmission rates are
15 changed at multiple points during the year to reflect the various transmission owners'
16 rate changes.

17 Q. **WHAT ARE THE MAJOR FACTORS DRIVING THE INCREASES IN SPP'S**
18 **ATRR?**

19 A. The increase in SPP's ATRR is directly tied to the ongoing construction of facilities
20 by the transmission owners for the enhancement and expansion of the transmission
21 systems in the SPP's footprint.



1 As indicated, transmission investment for facilities completed or projected to be
2 completed under SPP's regional cost allocation methodologies at May 25th
3 approached almost \$7.4 billion with \$5.3 billion in Base Plan Funded and Highway
4 Byway projects, which are regional in nature.

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A.** Yes.

AFFIDAVIT OF L. PATRICK BOURNE

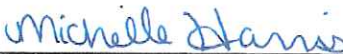
STATE OF ARKANSAS)
) ss
COUNTY OF PULASKI)

On the 29TH day of June, 2012, before me appeared L. Patrick Bourne, to me personally known, who, being by me first duly sworn, states that he is and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.



L. Patrick Bourne

Subscribed and sworn to before me this 29TH day of June, 2012



Notary Public

My commission expires: 04.01.2018

