

Exhibit No.: _____
Issue: Policy Issues Related to Southwest Power Pool
Witness: Leslie E. Dillahunty
Type of Exhibit: Direct Testimony
Sponsoring Party: Southwest Power Pool, Inc
Case No.: EO-2006-0142
Date Testimony Prepared: September 30, 2005

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

**DIRECT TESTIMONY OF
LESLIE E. DILLAHUNTY, VICE PRESIDENT,
REGULATORY POLICY, SOUTHWEST POWER POOL, INC.**

FILED²
JUN 05 2006
Missouri Public
Service Commission

Exhibit No. 7
Case No(s) EO-2006-0142
Date 5-2-06 Rptr xf

1 **Q. Please state your name, position, and business address.**

2 **A.**My name is Leslie E. Dillahunty, Vice President, Regulatory Policy, Southwest
3 Power Pool, 415 North McKinley, Suite 140, Plaza West, Little Rock, AR 72205-
4 3020.

5
6 **Q. What are your duties and responsibilities in your current position?**

7 **A.**Organizationally, I coordinate and support activities in the regulatory affairs and
8 engineering areas. Additionally, I am involved with a number of SPP Committee
9 activities, regulatory and policy matters, as well as specific project assignments.

10

11 **Q. Please describe your educational and professional background.**

12 **A.**I am a graduate of Louisiana Tech University holding a Bachelor's and Master's
13 degree in Mechanical Engineering. During the period 1971-2002, I held
14 numerous positions within the Southwestern Electric Power Company; its parent
15 company, the Central and South West Corporation; and the merged company,
16 American Electric Power. The bulk of this experience dealt with generation,
17 engineering, fuel procurement, system operations, and environmental affairs. I
18 began a consulting role with Southwest Power Pool in 2002 that led to permanent
19 employment and my present position. I am a Registered Professional Engineer in
20 the states of Louisiana and Texas and have attended a number of advanced
21 management courses.

22

1 **Q. What is the purpose of your testimony?**

2 **A. My testimony supports the Applications of The Empire District Electric Company**
3 **(Empire) and of Kansas City Power & Light Company (KCPL) to transfer**
4 **functional control of certain transmission facilities to the Southwest Power Pool**
5 **(SPP). I will focus on the qualifications of SPP to assume functional control over**
6 **these certain transmission facilities of Empire and KCPL. I will also introduce**
7 **three other witnesses in this testimony. These witnesses will provide additional**
8 **evidence on why it is not detrimental to the public interest for this Commission to**
9 **grant Empire's and KCPL's Applications.**

10

11 **HISTORY, FUNCTIONAL CONTROL AND RTO EVOLUTION**

12

13 **Q. Please give a brief history of SPP.**

14

15 **A. SPP is an Arkansas non-profit corporation with its principal place of business in**
16 **Little Rock, Arkansas. SPP came into existence in 1941, when 11 companies**
17 **joined together voluntarily to serve critical national defense needs during World**
18 **War II. When the war ended in 1945, SPP's Executive Committee decided the**
19 **organization should be retained to further the benefits of coordinated operation of**
20 **their electric systems. As a result of the northeast power interruption in late 1965,**
21 **a number of reliability councils were organized, and in 1968 SPP joined with 12**
22 **other entities to form the National Electric Reliability Council, now known as the**
23 **North American Electric Reliability Council (NERC). SPP incorporated as a not-**
24 **for-profit corporation in 1994.**

1 SPP currently has forty-five (45) members serving more than 4 million
2 customers in a 255,000 square mile area covering all or part of the States of
3 Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma and
4 Texas. SPP's membership includes 13 investor-owned utilities, seven municipal
5 systems, eight generation and transmission cooperatives, two State authorities,
6 three independent power producers and twelve power marketers. Both Kansas
7 City Power & Light and Empire District Electric Company were founding
8 members of SPP.

9 Since 1998, SPP has administered open-access transmission service across
10 the SPP region under the terms of SPP's open-access transmission tariff, filed
11 with and approved by the Federal Energy Regulatory Commission ("FERC").
12 The transmission facilities used to provide service under the SPP tariff are
13 comprised of the transmission facilities owned by a number of public utility and
14 non-public utility members of SPP that are currently committed to the SPP tariff.
15 Customers taking service under the SPP tariff now possess the ability to receive
16 and/or deliver power throughout the SPP region with one-stop shopping, while
17 paying only a single non-pancaked transmission charge for service under the SPP
18 tariff.

19 FERC Order No. 2000¹ strongly encouraged all public utilities that own,
20 operate or control interstate transmission facilities to participate in a Regional
21 Transmission Organization ("RTO"). On October 15, 2003, SPP submitted a

¹*Regional Transmission Organizations Order No. 2000*, III FERC Stats & Regs.,
Regs. Preambles ¶ 31,089 (1999), order on reh'g, *Order No. 2000-A*, III FERC Stats. &
Regs., Regs. Preambles ¶ 31,092 (2000).

1 filing pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. §
2 8244, and Section 35.34 of the FERC's regulations, to establish the SPP RTO.
3 This filing sought recognition that the SPP RTO satisfied the requirements of
4 Order 2000 and the FERC's regulations issued thereunder. In a series of orders
5 issued October 1, 2004, FERC granted SPP RTO status subject to certain limited
6 compliance issues.

7
8 **Q. Are there additional organizational or functional details concerning SPP's**
9 **history that may be of value in evaluating the Applications?**

10 **A.** Yes. There are at least three other functions that are worthy of comment. First, in
11 1991, SPP began to administer a reserve-sharing program among its members that
12 allows the combined resources of the participating members to be used to meet
13 the NERC criteria for the maintenance of reserve generation, which is equal the
14 largest unit scheduled for operation in a given period on the SPP system plus ½ of
15 the second largest unit scheduled.. Absent this program, individual members
16 would have to maintain a higher level of reserves than that which is available in a
17 joint approach.

18 Second, SPP began providing security coordination in a more formal
19 manner in 1997. This included monitoring the reliability needs of the members in
20 both real time and forward-looking scenarios. Because of the nature of interstate
21 and inter-control area transactions, the regionalization of the security coordination
22 function has provided much greater reliability to the electric transmission grid
23 within SPP's footprint.

1 Third, in 2001, SPP began providing regional scheduling that allowed SPP
2 to be the scheduling entity for all agreements and transactions. This consolidation
3 not only eased the administrative burden for market participants, but also ensured
4 that SPP was responsible to monitor and record each transaction. These three
5 factors show SPP's contribution to the public interest in supporting the reliable
6 transmission of electricity through innovation and functional control of utility
7 assets and will assist the Commission's evaluation of this request.

8

9 **Q. What did you mean above when you said that SPP "will assume functional**
10 **control over certain facilities?"**

11 A. Although the term, "functional control," is not defined in the governing
12 documents of SPP, the SPP Membership Agreement (SPP MA) provides a
13 concise definition of SPP's authority to control the transmission system. Section
14 2.1.1(k) of the SPP MA states, "SPP shall have the authority to direct the day-to-
15 day operations of the Tariff Facilities in order to carry out its responsibilities as a
16 Transmission Provider and Reliability Coordinator as described in SPP's
17 Operational Authority Reference document..." Section 1.17 defines Tariff
18 Facilities as "[t]he Electric Transmission system and the Distribution Facilities
19 subject to SPP's tariff administration." Finally, the Operational Authority
20 Reference document lists the functions that are included in SPP's authority and
21 that involve functional control. These functions are as follows:

- 22 • Scheduling authority over tariff facilities,
- 23 • Determining the Available Transmission Capacity under the SPP
- 24 OATT,
- 25 • Coordinating with other regions,

- 1 • Directing transmission construction under coordinated planning
- 2 criteria or under the SPP OATT,
- 3 • Acting as a reliability coordinator,
- 4 • Directing control areas to maintain adequate reserves,
- 5 • Coordinating reliability with other regions,
- 6 • Directing the emergency response of any of SPP's members,
- 7 including the shedding of firm load,
- 8 • Monitoring and coordinating voltage schedules,
- 9 • Directing redispatch of generation in accordance with the SPP
- 10 OATT,
- 11 • Reviewing and coordinating transmission and generation
- 12 maintenance schedules, and
- 13 • Redirecting maintenance outage schedules for reliability reasons
- 14 and providing compensation.
- 15

16 **Q. Should SPP's position as a FERC-approved RTO weigh into the assessment**
17 **of the Applications?**

18 **A.** Yes. The numerous FERC orders and decisions regulating the formation of RTOs
19 should assure the Commission that SPP's functional control of the transmission
20 facilities of Empire and KCPL will enhance the reliable and economic provision
21 of electricity to their customers.

22
23 **Q. What are the characteristics for a Regional Transmission Organization**
24 **(RTO) and how has SPP complied?**

25 **A.** According to FERC Order 2000, the four RTO characteristics are the following:
26 1. Independence – the first characteristic for an RTO is independence; i.e.,
27 the RTO must be independent of any market participant. SPP is governed by a
28 seven member independent Board of Directors. Board of Directors' meetings
29 includes the Members Committee and a representative from the Regional State
30 Committee (as defined in Section 7.2 of the SPP Bylaws) for all meetings except

1 when in executive session. SPP employees and directors cannot have financial
2 interest in any market participant. SPP is a not-for-profit organization and has no
3 financial interests in any market participant. SPP's decision-making processes are
4 independent of control by any market participant or class of participants. SPP
5 possesses the right to file rates, terms and conditions related to its Tariff with the
6 FERC as directed by the Board of Directors, while SPP transmission owners
7 retain their full rights to seek recovery of their specific wholesale transmission
8 revenue requirements from FERC under provisions of the Federal Power Act.

9
10 2. Scope and Configuration – The February 10, 2004 FERC Order granting
11 SPP conditional RTO status considered scope and configuration and determined
12 that (with the exception of one Available Transmission Capacity (ATC) matter
13 that SPP clarified within the requisite 60 days) SPP met the scope and
14 configuration requirements for RTO status.

15
16 3. Operational Authority – FERC Order No. 2000 requires RTOs to have
17 functional authority over the operations for all transmission facilities under its
18 control. In SPP's case, FERC in its Order on Compliance issued on October 1,
19 2004 found that SPP had provided a list clearly identifying facilities under its
20 functional control, had clarified in its Membership Agreement its authority to
21 exercise this control, and had adopted the NERC functional model to describe the
22 RTO's responsibilities. Those elements, combined with the inclusion of the
23 Operational Authority Reference Document in the Membership Agreement

1 caused FERC to find that SPP had met the third RTO characteristic, Operational
2 Authority.

3
4 4. Short-term Reliability – FERC Order No. 2000 also requires that an RTO
5 must have exclusive authority for: (1) receiving, confirming and implementing all
6 interchange schedules; (2) ordering redispatch of any generator connected to
7 transmission facilities it exercises functional control of if necessary for the
8 reliable operation of these facilities; (3) approving or disapproving all requests for
9 scheduled outages of transmission facilities to ensure that the outages can be
10 accommodated within established reliability standards; and (4) if reliability
11 standards are established by another entity, reporting to the FERC its ability to
12 provide reliable, non-discriminatory and efficiently-priced transmission service.
13 FERC's February 2004 Order found that "SPP meets the Order No. 2000
14 requirements for Short-Term Reliability".

15
16 **Q. Briefly enumerate and explain the required functions of a Regional**
17 **Transmission Organization.**

18 **A.** 1. The RTO is to be the sole administrator and provider of transmission
19 service. SPP meets this required function. This is a continuation of services that
20 SPP has performed over an extended period of time. These services affect
21 facilities covered by SPP's Open Access Transmission Tariff (OATT) and other
22 facilities subject to SPP's control with regard to non-grandfathered, non-bundled
23 load transmission.

1

2

2. FERC Order 2000 contained certain requirements with regard to congestion management that is the responsibility of SPP as an RTO. SPP has managed real-time congestion pursuant to its Tariff through transmission line loading relief (TLR). Beyond the existing procedure for the control of congestion, the February 10, 2004 RTO Order assigned to the SPP Regional State Committee “primary responsibility” for the determination of the timing and methodology of a replacement for the TLR approach.

9

10

3. As an RTO, SPP must also have procedures in place to address parallel path flows within its region and other regions. SPP has a long history in this area of responsibility as the regional security coordinator and has met this requirement.

13

14

4. The RTO must be the provider of last resort for ancillary services. While market participants have the right to self-supply ancillary services, the SPP Tariff contains provisions for SPP (through its members) to provide these services. This fulfills the ancillary services requirement.

18

19

5. An RTO must be the single administrator of the OATT, and SPP has met this requirement.

21

22

6. The RTO must engage in market monitoring. SPP has engaged Boston Pacific as an Independent Market Monitor (IMM). This function has been fulfilled

23

1 and the first required annual report was released and submitted to the RSC and
2 SPP Board on May 31, 2005. Internally, SPP has also established an Independent
3 Market Monitoring Unit that is in the initial stages of formation in parallel with
4 the scheduled implementation of an imbalance energy market in on May 1, 2006.

5
6 7. The RTO must be responsible for planning and expansion of the
7 transmission system. SPP has developed a regional planning process and an
8 associated transmission expansion plan. SPP also has a FERC-approved cost
9 allocation plan that was developed by the SPP Regional State Committee.

10
11 8. Finally, the RTO must be responsible for interregional coordination. SPP
12 is a NERC regional reliability council and has a joint operation agreement with
13 the Midwest Independent Transmission System Operator. SPP continues to fulfill
14 its commitment to interregional coordination.

15
16 **Q. Please describe SPP's Regional State Committee ("RSC") and the RSC's role**
17 **in SPP.**

18 **A.** The SPP RTO Bylaws provide for the creation of a Regional State Committee
19 ("RSC") to be comprised of one designated commissioner from each State
20 regulatory commission having jurisdiction over an SPP member. This
21 organization was formed April 26, 2004, and this Commission, through its
22 designated representative, is a member of the RSC. The RSC has primary

1 responsibility for determining regional proposals and the transition process in the
2 following areas:

3 (a) Whether and to what extent participant funding will be used for
4 transmission enhancements;

5 (b) Whether license plate or postage stamp rates will be used for the
6 regional access charge;

7 (c) Financial Transmission Rights ("FTRs" allocation, where a
8 locational price methodology is used; and

9 (d) The transition mechanism to be used to assure that existing firm
10 customers receive FTRs equivalent to the customers' existing firm rights.

11 The RSC also will determine the approach for resource adequacy across
12 the entire region. In addition, with respect to transmission planning, the RSC will
13 determine whether transmission upgrades for remote resources will be included in
14 the regional transmission planning process and the role of transmission owners in
15 proposing transmission upgrades in the regional planning process. As the RSC
16 reaches decisions on the methodology that will be used to address any of these
17 issues, SPP will file this methodology pursuant to Section 205 of the Federal
18 Power Act. SPP also can file its own related proposals pursuant to Section 205 of
19 the Federal Power Act.

20
21 **Q. Has the RSC approved a cost allocation methodology for recovering costs**
22 **associated with new transmission facilities constructed within the SPP**
23 **region?**

1 A. Yes. On November 16, 2004, the RSC unanimously approved a cost allocation
2 methodology for allocating the costs associated with new transmission facilities
3 constructed within the SPP region on November 16, 2004. Subsequently, SPP
4 submitted this allocation methodology as part of a Section 205 filing to the FERC
5 on February 28, 2005. FERC conditionally accepted this methodology on April
6 22, 2005, to be effective May 5, 2005.

7
8 **Q. Please describe how this cost allocation methodology impacts transmission**
9 **owners' revenue requirements within the region.**

10 A. As new facilities are constructed, SPP will assign the costs associated with these
11 new facilities to the transmission owners (and other transmission customers) in
12 accordance with the recently approved cost allocation methodology. Hence, these
13 represent additional costs to the transmission owners that they will seek to recover
14 under the appropriate retail tariffs. These costs will arise through a two-year SPP
15 planning process with opportunities for stakeholder input, including the RSC.
16 The independent SPP Board of Directors will then approve the Plan. The costs
17 resulting from the Plan will be allocated according to the FERC-accepted cost
18 allocation methodology.

19 SPP believes the transmission owners should be permitted to recover these
20 additional costs given they will be incurred to support the reliability of the SPP
21 region and are necessary to meet the SPP regional reliability criteria.
22 Transmission Owners have a responsibility to maintain the reliability of the
23 electrical grid. Given the open, public process associated with the

1 implementation and approval of important recent changes involving reliability
2 assessments, aggregate studies, cost allocation methodologies and the Energy
3 Imbalance Services (EIS) market coupled with the sizable effort and financial
4 commitment made by Empire, KCPL, the State(s) and other stakeholders, I
5 encourage this Commission to provide the necessary element of cost recovery
6 certainty to ensure that the desired benefits can be achieved. Cost Recovery is the
7 second side of the two-sided coin of cost incurrence and cost recovery. To
8 facilitate a successful transmission upgrade process, both sides of the coin must
9 be in place. The revised SPP OATT sheets and the FERC order approving this
10 tariff change are attached to this testimony as Schedules 1 and 2, respectively.

11

12 **COST-BENEFIT ANALYSIS**

13

14 **Q. Please give a general overview of the Cost-Benefit Analysis Performed for the**
15 **SPP Regional State Committee.**

16 A. The SPP Regional State Committee retained CRA International, formerly Charles
17 Rivers Associates (CRAI) to perform a Cost-Benefit Analysis to (1) analyze the
18 probable costs and benefits that accrue from the consolidation and utilization of
19 the services and functions provided by SPP and (2) the costs and benefits of SPP's
20 implementation of an Energy Imbalance Service market. The *Cost Benefit*
21 *Analysis Performed for the SPP Regional State Committee Final Report*,
22 hereinafter referred to as "Study" or "Report," was released on April 25, 2005 and

1 presented to the Regional State Committee and the SPP Board of Directors. The
2 Study was subsequently revised on July 27, 2005.
3

4 **Q. What has been your role in the Study and its follow-up during the time**
5 **period following the Study's release on April 25, 2005?**

6 A. I served as an Associate Member of the Cost Benefits Task Force (CBTF) that
7 was comprised of SPP stakeholders, including participants from the Staff of the
8 respective state commissions participating in the RSC. The CBTF, chaired by
9 Sam Loudenslager of the Arkansas Public Service Commission, prepared the
10 scope of work for the Study; solicited and evaluated proposals for the
11 performance of the Study; selected the firm (CRAI) to conduct the study;
12 provided the requisite policy, input data, and review functions that enabled CRAI
13 to complete the analysis. I attended the April 25, 2005 meeting of the RSC where
14 the Study was initially presented. Subsequently, I have served as a liaison with
15 CRAI, SPP Staff, members and regulators as each has progressed in their
16 respective review of the Study results.

17 **Q. During the period since the Study was completed and released, what has**
18 **been the general tone of the feedback concerning the Study?**

19 A. I. I have observed many detailed discussions of the specific values
20 quantified by the Study, but I continually remind myself, and others, that the
21 Study is only one important piece of information and not the only factor that
22 should be considered in any evaluation of the benefit of membership in SPP.
23

1 2. There are many specific questions about the CRAI model assumptions.
2 However, one must remember that the Study was conducted at the direction of the
3 CBTF with credible, agreed upon inputs. The Study is a complex analysis, with
4 strong interdependencies. The evaluation of a single change and an assessment of
5 its impact are not possible without actually re-running the economic model used
6 to develop the values in the Study. CRAI should be valued for their independence
7 and professionalism. I believe the results presented in the Report to be indicative
8 and not definitive for both the costs and benefits associated with membership in
9 SPP.

10
11 3. CRAI states in the Report that “the Study results are subject to a margin of
12 error due to various abstractions that must be made in any modeling exercise such
13 as this...CRAI has not had the opportunity to develop a formal margin of error for
14 this Study, but CRAI experience in modeling exercises of this type suggest that a
15 change of less than \$10 million over the Study period for individual companies is
16 likely to be within the Study’s margin of error”. The production cost modeling
17 that produced the quantitative impacts in the Study was designed to produce
18 “some high-level, region-wide wholesale market metrics related to the three cases
19 simulated.” CRAI has urged caution in interpreting the results of the Study
20 because, as these region-wide values were allocated to individual States and
21 Companies, the Study accuracy was diminished due to this “slice and dice” effect.

1 4. The Study applied 2003 historical average distribution percentages to
2 allocate the wheeling impacts to individual SPP companies. This modeling
3 accommodation continues to be a topic for discussion. The SPP Tariff allocates
4 50% of point-to-point revenue to members based upon their pro-rata portion of
5 overall revenue requirements and 50% based upon the megawatt-mile usage
6 associated with transactions. CRAI considered the use of a high-level analysis
7 method that simulated the SPP Tariff; however, initial indications from this
8 method showed that loop flow effects are important within this compact region.
9 This complicated the successful application of an expedient, cost effective
10 modeling approach that mimicked the SPP Tariff provisions. Instead of
11 continuing to pursue this method, CRAI chose the historical average approach.

12
13 5. If SPP and other RTOs are effective in securing some downward
14 adjustment in the FERC fees and if SPP were to commence the provision of
15 Entergy ICT services, the impact of the reduced fees should drive the costs of
16 RTO membership down and increase the positive results of this Study.

17
18 6. The Study includes no representation of demand side response to price
19 signals. The SPP Energy Imbalance market will explicitly provide these price
20 signals; however the quantitative modeling of the impacts of such demand
21 “elasticity” significantly complicates a study effort and was not attempted by
22 CRAI. A representation of the demand side price response could potentially
23 impact the results.

1

2 7. The study only reflects the addition of 30 MW of the Sunflower Wind
3 farm in 2005 and 800 MW of the Iatan 2 coal fired facility scheduled for 2010.
4 No generating unit retirements were modeled. The Study stated that overall
5 projected capacity balance indicated that existing installed capacity, coupled with
6 these additions, will be more than sufficient to meet SPP reliability requirements
7 through the Study period. Unit commitments or retirements beyond those
8 modeled would impact the Study.

9

10 8. Finally, and of great significance, FERC Order 2000 states, "We conclude
11 that control area operators should face the same costs and price signals as other
12 transmission customers and, therefore, also should be required to clear system
13 imbalances through a real-time balancing market." This leads to the conclusion
14 that SPP must move forward to an imbalance energy market. Implementation of
15 that market will provide a substantial improvement in transparency. Once this
16 market is implemented, it will provide another important evolutionary step for
17 SPP to possibly move forward into another phase of the market such as
18 congestion management or ancillary services.

19

20 **Q. Please summarize your testimony.**

21 **A.** SPP has a rich history of supporting the reliable transmission of electricity in its
22 role as a NERC regional reliability coordinator and through such initiatives as its
23 reserve sharing program, security coordination and regional scheduling. By

1 successfully satisfying the FERC's rigorous requirements for RTO status, SPP has
2 established that it has the independence, scope and configuration, operational
3 authority and short-term reliability attributes that would enhance the reliable,
4 economic and non-discriminatory provision of transmission service to its
5 members, to market participants and their customers. For these reasons, as well as
6 other reasons discussed by the other witnesses I will introduce, SPP respectfully
7 submits that it is well qualified to assume functional control over certain
8 transmission facilities of Empire and KCPL.

9
10 **Q. Who are the other witnesses you would like to introduce and what is the**
11 **purpose of their testimony?**

12 **A. Ellen Wolfe, Senior Consultant, Charles Rivers Associates International (CRAI) –**

13 Mrs. Wolfe has been involved with numerous cost benefit studies of RTOs and
14 was the project manager for CRAI in the *Cost Benefit Analysis Performed for the*
15 *SPP Regional State Committee Final Report* that was presented to the RSC on
16 April 25, 2005 and revised on July 27, 2005. She has extensive knowledge of the
17 outcome of the Study and will provide the wholesale market modeling and
18 resulting impacts. The Study is provided as Schedule 1 of this testimony.

19 **Ralph Luciani, Vice President, Charles Rivers Associates International (CRAI) –**

20 Mr. Luciani oversaw the financial evaluation of costs and benefits contained in
21 the Study, and he oversaw the financial and rate analyses presented in the
22 SEARUC and Dominion Power RTO cost-benefit studies. Mr. Luciani will testify
23 to the cost and allocation methods applied in the study and the resulting impacts.

1 Richard A. Wodyka, Senior Vice President of Energy and Utility Services,
2 Gestalt, LLC – Mr. Wodyka is currently serving as Senior Vice President for
3 Gestalt, LLC in their Energy and Utility Practice primarily responsible for
4 regulatory and financial services activities including international projects. Mr.
5 Wodyka has extensive experience in electric power system planning, real-time
6 system operations, and the new energy markets associated with electric energy
7 deregulation which was attained while working for over 31 years at PJM
8 Interconnection as well as his work as an independent electric utility consultant.
9 His testimony will provide an independent assessment of the *Cost Benefit*
10 *Analysis Performed for the SPP Regional State Committee Final Report*
11 completed by CRAI.

12

13 **Q. Does this conclude your testimony?**

14 **A. Yes.**

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of)
Kansas City Power & Light Company)
for Authority to Transfer Functional Control)
of Certain Transmission Assets to the)
Southwest Power Pool, Inc.)

Case No. EO-2006-0142

AFFIDAVIT OF LESLIE E. DILLAHUNTY

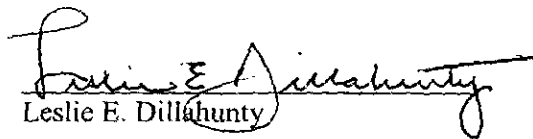
State of Arkansas)
County of Pulaski) ss

Leslie E. Dillahunty, being first duly sworn on his oath, states:

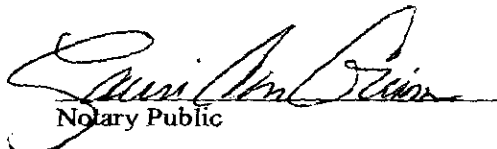
1. My name is Leslie E. Dillahunty, Vice President, Regulatory Policy, Southwest Power Pool, 415 North McKinley, Suite 140, Plaza West, Little Rock, AR 72205-3020.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Southwest Power Pool, Inc., consisting of nineteen (19) pages, having been prepared in written form for introduction into evidence in the above-captioned case.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.


Leslie E. Dillahunty

Subscribed and sworn before me this 24 day of September 2005.


Notary Public

My commission expires: Jan 30, 2014

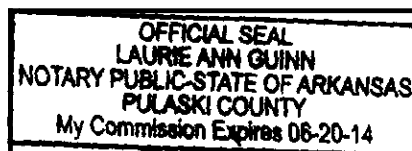


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I. COMMON SERVICE PROVISIONS

1 Definitions

1.1 Aggregate Transmission Study: Transmission system impact and facilities studies that aggregate Transmission Service requests received over a 120-day period. These requests are evaluated simultaneously to provide for optimization of transmission expansion.

1.1a Ancillary Services: Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Provider's and Transmission Owner's(s) Transmission System in accordance with Good Utility Practice.

1.2 Annual Transmission Cost: The total annual cost of the Transmission System for purposes of Network Integration Transmission Service shall be the amount specified in Attachment H until amended by the Transmission Provider or modified by the Commission.

1.3 Application: A request by an Eligible Customer for transmission service pursuant to the provisions of the Tariff.

1.3a Attachment Facilities: Facilities that serve to interconnect a generating unit with a Transmission Owner's transmission facilities.

1.3b Base Plan Avoided Revenue Requirement: The revenue requirement associated with previously approved Base Plan Upgrades that have been deferred or displaced due to a subsequently identified transmission upgrade.

1.3c Base Plan Charge: Charge assessed by SPP in accordance with Schedule 11 to recover the revenue requirement of facilities classified as Base Plan Upgrades.

1.3d Base Plan Region-wide Annual Transmission Revenue Requirement: The sum of the annual transmission revenue requirement for each Base Plan Upgrade and of the Base Plan Avoided Revenue Requirement(s), if any, that are allocated to the SPP Region in accordance with Attachment J to this Tariff.

1.3e Base Plan Region-wide Charge: Regional component of the charge assessed by SPP in accordance with Schedule 11 to recover the revenue requirement of facilities classified as Base Plan Upgrades.

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- 1.3f Base Plan Region-wide Load Ratio Share:** Ratio of a Network Customer's or Transmission Owner's Resident Load in the SPP Region to the total load in the SPP Region computed in accordance with Section II.B. to Schedule 11 of this Tariff and calculated on a calendar year basis, for the prior calendar year.
- 1.3g Base Plan Region-wide Rate:** Regional component of the rate (per kW of Reserved Capacity for Point-to-Point Transmission Service) assessed by SPP in accordance with Schedule 11 to recover the revenue requirement of facilities classified as Base Plan Upgrades.
- 1.3h Base Plan Upgrades:** Those upgrades included in and constructed pursuant to the SPP Transmission Expansion Plan in order to ensure the reliability of the Transmission System. Base Plan Upgrades shall also include those upgrades required for new or changed Designated Resources to the extent allowed for in Attachment J to this Tariff.
- 1.3i Base Plan Zonal Annual Transmission Revenue Requirement:** For each Zone, the sum of the annual transmission revenue requirement for each Base Plan Upgrade and of the Base Plan Avoided Revenue Requirement(s), if any, that are allocated to the Zone in accordance with Attachments J and S to this Tariff.
- 1.3j Base Plan Zonal Charge:** Zonal component of the charge assessed by SPP in accordance with Schedule 11 to recover the revenue requirement of facilities classified as Base Plan Upgrades.
- 1.3k Base Plan Zonal Load Ratio Share:** Ratio of a Network Customer's or Transmission Owner's Resident Load in a Zone to the total load in that Zone computed in accordance with Section II.A. to Schedule 11 of this Tariff and calculated on a calendar year basis, for the prior calendar year.
- 1.3l Base Plan Zonal Rate:** Zonal component of the rate (per kW of Reserved Capacity for Point-to-Point Transmission Service) assessed by SPP in accordance with Schedule 11 to recover the revenue requirement of facilities classified as Base Plan Upgrades.
- 1.4 Commission:** The Federal Energy Regulatory Commission.

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- 1.5 Completed Application:** An Application that satisfies all of the information and other requirements of the Tariff, including any required deposit.
- 1.6 Control Area:** An electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:
- (1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
 - (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;

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- (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and
 - (4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.
- 1.7 Curtailment:** A reduction in firm or non-firm transmission service in response to a transmission capacity shortage as a result of system reliability conditions.
- 1.8 Delivering Party:** The entity supplying capacity and energy to be transmitted at Point(s) of Receipt.
- 1.9 Designated Agent:** Any entity that performs actions or functions required under the Tariff on behalf of the Transmission Provider, a Transmission Owner, an Eligible Customer, or the Transmission Customer.
- 1.9a Designated Resource:** Any designated generation resource owned, purchased or leased by a Transmission Customer to serve load in the SPP Region. Designated Resources do not include any resource, or any portion thereof, that is committed for sale to third parties or otherwise cannot be called upon to meet the Transmission Customer's load on a non-interruptible basis.
- 1.10 Direct Assignment Facilities:** Facilities or portions of facilities that are constructed by any Transmission Owner(s) for the sole use/benefit of a particular Transmission Customer or a particular group of customers or a particular Generation Interconnection Customer requesting service under the Tariff. Direct Assignment Facilities shall be specified in the Service Agreements that govern service to the Transmission Customer(s) and Generation Interconnection Customer(s) and shall be subject to Commission approval.
- 1.10a Economic Upgrades:** Elective upgrades, identified in the SPP Transmission Expansion Plan, which have potential economic benefit to the SPP Region, but are not required for reliability reasons.
- 1.10ba Effective Date:** For Short-Term Firm and Non-Firm Point-To-Point Transmission Service the Effective Date of this Tariff is June 1, 1998. For Long-Term Firm Point-To-Point Transmission Service the Effective Date of this Tariff

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is April 1, 1999. For Network Integration Transmission Service the Effective Date of this Tariff is February 1, 2000.

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- 1.11 Eligible Customer:** (i) Any electric utility (including the Transmission Owner(s) and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that a Transmission Owner offer the unbundled transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner. (ii) Any retail customer or eligible person taking unbundled transmission service pursuant to a state requirement that a Transmission Owner offer the transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner, is an Eligible Customer under the Tariff.

1.11a Existing Facilities: (i) Transmission System facilities placed in service on or before December 31, 2005; or (ii) planned Transmission System facilities identified in the SPP Transmission Expansion Plan required to be in service to meet SPP and NERC reliability standards for the summer of 2005; or (iii) Transmission System facilities identified by Transmission Owners, and not included in the SPP Transmission Expansion Plan, required to be in service to meet SPP and NERC reliability standards for the summer of 2005.

1.11b Existing Zonal Annual Transmission Revenue Requirement: The revenue requirement for Existing Facilities in each Zone for purposes of determining the charges under Schedules 7, 8 and 9 of this Tariff.

- 1.12 Facilities Study:** An engineering study conducted by the Transmission Provider in collaboration with the affected Transmission Owner(s) to determine the required modifications to the Transmission System, including the cost and scheduled completion date for such modifications, that will be required to provide the requested transmission service or Generation Interconnection Service. The

Transmission Provider shall have the ultimate responsibility for any such studies. However, the Transmission Provider's final decision must be consistent with Good Utility Practice. Facilities studies for any facilities not under the operational control of the Transmission Provider shall be performed by the Transmission Owner or any entity it designates to perform the studies.

- 1.27 Non-Firm Point-To-Point Transmission Service:** Point-To-Point Transmission Service under the Tariff that is reserved and scheduled on an as-available basis and is subject to Curtailment or Interruption as set forth in Section 14.7 under Part II of this Tariff. Non-Firm Point-To-Point Transmission Service is available on a stand-alone basis for periods ranging from one hour to one month.
- 1.28 Open Access Same-Time Information System (OASIS):** The information system and standards of conduct contained in Part 37 of the Commission's regulations and all additional requirements implemented by subsequent Commission orders dealing with OASIS.
- 1.29 Part I:** Tariff Definitions and Common Service Provisions contained in Sections 2 through 12.
- 1.30 Part II:** Tariff Sections 13 through 27 pertaining to Point-To-Point Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments.
- 1.31 Part III:** Tariff Sections 28 through 36 pertaining to Network Integration Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments.
- 1.31a Part IV:** Tariff Sections 37 through 38 pertaining to special Tariff provisions related to the applicability of the Tariff during and after the Transition Period.
- 1.31b Part V: Tariff Sections 40 through 41 pertaining to recovery of costs for Base Plan Upgrades and appropriate Schedules and Attachments.**
- 1.32 Parties:** The Transmission Provider and the Transmission Customer receiving service under the Tariff.

- 1.33 Point(s) of Delivery:** Point(s) on the Transmission Provider's Transmission System where capacity and energy transmitted by the Transmission Provider will be made available to the Receiving Party under Part II of the Tariff. The Point(s) of Delivery shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.
- 1.34 Point(s) of Receipt:** Point(s) of interconnection on the Transmission Provider's Transmission System where capacity and energy will be made available to the Transmission Provider by the Delivering Party under Part II of the Tariff. The Point(s) of Receipt shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.
- 1.35 Point-To-Point Transmission Service:** The reservation and transmission of capacity and energy on either a firm or non-firm basis from the Point(s) of Receipt to the Point(s) of Delivery under Part II of the Tariff.
- 1.36 Power Purchaser:** The entity that is purchasing the capacity and energy to be transmitted under the Tariff.
- 1.36a Project Sponsor:** One or more entities that voluntarily agree to bear the costs of an Economic Upgrade.
- 1.37 Receiving Party:** The entity receiving the capacity and energy transmitted by the Transmission Provider to Point(s) of Delivery.
- 1.37a Regional State Committee:** A voluntary organization comprised of one designated commissioner from each participating state regulatory commission having jurisdiction over an SPP Member, established to collectively provide both direction and input on all matters pertinent to the participation of the Members in SPP pursuant to the SPP By-Laws.
- 1.38 Regional Transmission Group (RTG):** A voluntary organization of transmission owners, transmission users and other entities approved by the Commission to efficiently coordinate transmission planning (and expansion), operation and use on a regional (and interregional) basis.

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1.38a Requested Upgrades: Transmission upgrades, requested by a Transmission Customer or other entity, which do not meet the definition of any other category of Network Upgrades.

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1.39 Reserved Capacity: The maximum amount of capacity and energy that the Transmission Provider agrees to transmit for the Transmission Customer over the Transmission Provider's Transmission System between the Point(s) of Receipt and the Point(s) of Delivery under Part II of the Tariff. Reserved Capacity shall be expressed in terms of whole megawatts on a sixty (60) minute interval (commencing on the clock hour) basis.

1.39a Resident Load: The load for which Base Plan Charges are applicable pursuant to Part V of the Tariff.

1.40 Service Agreement: The initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and the Transmission Provider for service under the Tariff.

1.41 Service Commencement Date: The date the Transmission Provider begins to provide service pursuant to the terms of an executed Service Agreement, or the date the Transmission Provider begins to provide service in accordance with Section 15.3 or Section 29.1 under the Tariff.

1.42 Short-Term Firm Point-To-Point Transmission Service: Firm Point-To-Point Transmission Service under Part II of the Tariff with a term of less than one year.

1.42a SPP: The Southwest Power Pool, Inc.

1.42b SPP Membership Agreement: The Southwest Power Pool Membership Agreement detailing the rights and obligations of the SPP and SPP Members.

1.42c SPP Region: The geographic area of the Transmission System.

1.42d SPP Transmission Expansion Plan: The SPP RTO shall regularly perform transmission planning studies. These studies shall assess the reliability and economic operation of the SPP Transmission System. Transmission expansion required over the planning period shall be submitted to the SPP Board of Directors.

1.43 System Impact Study: A coordinated assessment by the Transmission Provider and the affected Transmission Owner(s) of (i) the adequacy of the Transmission System to accommodate a request for either Firm Point-To-Point Transmission Service or Network Integration Transmission Service or (ii) to determine the

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Attachment Facilities, other Direct Assignment Facilities, and system upgrades
that are needed to accept power into the grid at

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1.48 Transmission Service: Point-To-Point Transmission Service provided under Part II of the Tariff on a firm and non-firm basis.

1.49 Transmission System: The facilities used by the Transmission Provider to provide transmission service under Part II, ~~and Part III~~ and Part V of the Tariff ~~and are reflected in the rates for Network Integration, Long Term Firm, Short-Term Firm and Non-Firm Point-to-Point Transmission Service under the Tariff as stated in Attachments H and T.~~

1.49a Users: Transmission Customers or other entities that are parties to transactions under the Tariff.

1.49b Wholesale Distribution Service: The provision of distribution service over a Transmission Owner's Distribution Facilities necessary to effectuate a transaction under this Tariff. To the extent such service is required, it shall be specified in the Service Agreement for the associated service being provided under the Tariff. The charges for Wholesale Distribution Service are described in Schedule 10.

1.50 Zone: The geographic area of the facilities of a Transmission Owner or a specific combination of Transmission Owners as specified in Schedules 7, 8, and 9.

2 Initial Allocation and Renewal Procedures

2.1 Initial Allocation of Available Transmission Capability: For purposes of determining whether existing capability on the Transmission Provider's Transmission System is adequate to accommodate a request for firm service under this Tariff, all Completed Applications for new firm transmission service received during the initial sixty (60) day period commencing with the Effective Date of the Tariff will be deemed to have been filed simultaneously. A lottery system conducted by the Transmission

affected Transmission Customers in a timely manner of any scheduled Curtailments. In the event that the Transmission Customer fails to cease or reduce service in response to a directive by the Transmission Provider, the Transmission Customer shall pay any applicable charges and the following penalty (in addition to the charges for all of the firm capacity used): 200% of the Firm Point-to-Point Transmission Service charge under Schedule 7 plus 200% of the Base Plan Charge assessed under Schedule 11 for the entire length of the reserved period but not exceeding one month. This penalty shall apply only to the portion of the service that the Transmission Customer fails to curtail in response to a Curtailment directive. These penalty revenues shall reduce the Transmission Provider's administrative costs.

13.7 Classification of Firm Transmission Service:

- (a) The Transmission Customer taking Firm Point-To-Point Transmission Service may (1) change its Receipt and Delivery Points to obtain service on a non-firm basis consistent with the terms of Section 22.1 or (2) request a modification of the Points of Receipt or Delivery on a firm basis pursuant to the terms of Section 22.2.
- (b) The Transmission Customer may purchase transmission service to make sales of capacity and energy from multiple generating units that are on the Transmission Provider's Transmission System. For such a purchase of transmission service, the resources will be designated as multiple Points of Receipt, unless (i) the multiple generating units are at the same generating plant in which case the units would be treated as a single Point of Receipt, or (ii) the generating units or plants are in the same Control Area of a Transmission Owner in which case the units or plants also would be considered as a single Point of Receipt; provided, however, that generation which is dynamically scheduled

shall be considered as part of the Control Area where it is physically located. In the event of a change in the ownership or control of generation resources previously aggregated as a single Point of Receipt under this provision, such generation may be disaggregated and treated as multiple Points of Receipt, provided that all other terms of this Tariff and the Service Agreement are met.

- (c) The Transmission Provider shall provide firm deliveries of capacity and energy from the Point(s) of Receipt to the Point(s) of Delivery. Each Point of Receipt at which firm transmission capacity is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Service Agreement for Long-Term Firm Transmission Service along with a corresponding capacity reservation associated with each Point of Receipt. Points of Receipt and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Firm Transmission. Each Point of Delivery at which firm transmission capacity is reserved by the Transmission Customer shall be set forth in the Firm Point-To-Point Service Agreement for Long-Term Firm Transmission Service along with a corresponding capacity reservation associated with each Point of Delivery. Points of Delivery and corresponding capacity reservations shall be as mutually agreed upon by the Parties for Short-Term Firm Transmission. The greater of either (1) the sum of the capacity reservations at the Point(s) of Receipt, or (2) the sum of the capacity reservations at the Point(s) of Delivery shall be the Transmission Customer's Reserved Capacity. The Transmission Customer will be billed for its Reserved Capacity under the terms of Schedules 7 and 11. The Transmission Customer may not exceed its firm capacity

reserved at each Point of Receipt and each Point of Delivery except as otherwise specified in Section 22. In the event that a Transmission Customer (including Third-Party Sales by a Transmission Owner) exceeds its firm reserved capacity at any Point of Receipt or Point of Delivery, the Transmission Customer shall pay the following penalty (in addition to the applicable charges for all of the firm capacity actually used): 200% of the Firm Point-to-Point Transmission Service charge under Schedule 7 plus 200% of the Base Plan Charge assessed under Schedule 11 for the period for which the additional service was actually used. The charges for the additional service shall be based upon the duration of the period when the additional capacity was used. For example, one hour would be billed at the charge for weekday deliveries. The Transmission Provider shall compensate the Transmission Owners for 100% of the Firm Point-to-Point Transmission Service charge and of the Base Plan Charge for the period for which they have provided service. The penalty revenues in excess of that amount shall be used to reduce the Transmission Provider's administrative costs. For the amounts exceeding reserved capacity, the Transmission Customer also must replace losses as required by this Tariff.

- 13.8 Scheduling of Firm Point-To-Point Transmission Service:** All scheduling practices and schedules submitted by Transmission Customers will comply with applicable North American Electric Reliability Council Policies and SPP Criteria. Transmission Customers shall submit all schedules electronically in a form

Transmission Service for the transmission of firm power do so with the full realization that such service is subject to availability and to Curtailment or Interruption under the terms of the Tariff. The Transmission Customer will be billed for its Reserved Capacity under the terms of Schedules 8 and 11. In the event that a Transmission Customer (including Third-Party Sales by a Transmission Owner) exceeds its non-firm capacity reservation, the Transmission Customer shall pay the following penalty (in addition to the charges for all of the non-firm capacity used): 200% of the Non-Firm Point-to-Point Transmission Service Charge under Schedule 8 plus 200% of the Base Plan Charge assessed under Schedule 11 for the entire length of the reserved period not to exceed one month for the amount in excess of such capacity reservation. The Transmission Provider shall compensate the Transmission Owners for 100% of the Non-Firm Point-to-Point Transmission Service charge and of the Base Plan Charge for the period for which they have provided service. The penalty revenues in excess of that amount shall be used to reduce the Transmission Provider's administrative costs. For the amounts exceeding the non-firm capacity reservation, the Transmission Customer must replace losses as required by this Tariff. Non-Firm Point-To-Point Transmission Service shall include transmission of energy on an hourly basis and transmission of scheduled short-term capacity and energy on a daily, weekly or monthly basis, but not to exceed one month's reservation for any one Application, under Schedules 8 and 11.

- 14.6 Scheduling of Non-Firm Point-To-Point Transmission Service:** All scheduling practices and schedules submitted by Transmission Customers will be consistent with applicable North American Electric Reliability Council Policies and SPP Criteria. Transmission Customers shall submit all schedules electronically in a form specified by The Transmission Provider. Schedules for Non-Firm Point-To-Point Transmission Service, other than for Next-Hour-Market Service, must be submitted to the Transmission

200% of the Non-Firm Point-to-Point Transmission Service Charge under Schedule 8 plus 200% of the Base Plan Charge assessed under Schedule 11 for the entire length of the reserved period not to exceed one month for the amount in excess of such capacity reservation. This penalty shall apply only to the portion of the service that the Transmission Customer fails to curtail in response to a Curtailment directive. These penalty revenues shall reduce the Transmission Provider's administrative costs.

15 Service Availability

15.1 General Conditions: The Transmission Provider will provide Firm and Non-Firm Point-To-Point Transmission Service over, on or across its Transmission System to any Transmission Customer that has met the requirements of Section 16.

15.2 Determination of Available Transmission Capability: A description of the Transmission Provider's specific methodology for assessing available transmission capability posted on the Transmission Provider's OASIS (Section 4) is contained in Attachment C of the Tariff. In the event sufficient transmission capability may not exist to accommodate a service request, the Transmission Provider will respond by offering to perform or cause to be performed a System Impact Study.

24 Metering and Power Factor Correction at Receipt and Delivery Points(s)

24.1 Transmission Customer Obligations: Unless otherwise agreed, the Transmission Customer shall be responsible for the cost of installing and maintaining compatible metering and communications equipment to accurately account for the capacity and energy being transmitted under Part II of the Tariff and to communicate the information to the Transmission Provider. Unless otherwise specified in an agreement for the construction of facilities, such equipment installed on the Transmission Customer's system shall remain the property of the Transmission Customer. Unless otherwise specified in an agreement for the construction of facilities, such equipment installed on the Transmission Owner's(s') system shall remain the property of the Transmission Owner(s).

24.2 Transmission Provider Access to Metering Data: The Transmission Provider or its agent shall have access to metering data, which may reasonably be required to facilitate measurements and billing under the Service Agreement.

24.3 Power Factor: Unless otherwise agreed, the Transmission Customer is required to maintain a power factor within the same range specified by the Transmission Provider, in consultation with the appropriate Transmission Owners, pursuant to Good Utility Practices. The power factor requirements are specified in the Service Agreement where applicable.

25 Compensation for Transmission Service

Rates for Firm and Non-Firm Point-To-Point Transmission Service are provided in the Schedules appended to the Tariff: Firm Point-To-Point Transmission Service (Schedule 7); and Non-Firm Point-To-Point Transmission Service (Schedule 8). In addition the Transmission Customer also shall pay any applicable Ancillary Service Costs, ~~and~~ Wholesale Distribution Service charges (Schedule 10), and Base Plan Charges (Schedule 11).

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of their Native Load Customers, shall be required to designate resources and loads in the same manner as any Network Customer under Part III of this Tariff. This information must be consistent with the information used by the Transmission Provider to calculate available transmission capability. The Transmission Provider shall include the Network Customer's Network Load in Transmission System planning and shall, consistent with Good Utility Practice, endeavor to cause to be constructed and placed into service sufficient transmission capacity to deliver the Network Customer's Network Resources to serve its Network Load on a basis comparable to the Transmission Owner(s') delivery of electric generating and purchased resources to Native Load Customers.

28.3 Network Integration Transmission Service: The Transmission Provider will provide firm transmission service over the Transmission System to the Network Customer for the delivery of capacity and energy from its designated Network Resources to service its Network Loads on a basis that is comparable to the Transmission Owner(s') use of the Transmission System to reliably serve Native Load Customers.

28.4 Secondary Service: The Network Customer may use the Transmission System to deliver energy to its Network Loads from resources that have not been designated as Network Resources. Such energy shall be transmitted, on an as-available basis, with no additional charges imposed under Schedules 7, 8, ~~or 9~~, or 11. Deliveries from resources other than Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service under Part II of the Tariff or any non-firm point-to-point service under any other transmission tariff or agreement where the service is being provided by a Transmission Owner.

established Load Shedding and Curtailment procedures or to cease or reduce service in response to a directive by the Transmission Provider, the Network Customer shall pay any applicable charges and the following penalty (in addition to the charges for all of the service used): 200% of the Network Integration Transmission Service charge for the applicable month under Schedule 9 plus 200% of the Base Plan Charge assessed under Schedule 11. This penalty shall apply only to the portion of the service that the Transmission Customer fails to curtail in response to a Curtailment directive. The Transmission Provider shall compensate the Transmission Owners for 100% of the Network Integration Transmission Service charge and of the Base Plan Charge for the period for which they have provided service. The penalty revenues in excess of that amount shall be used to reduce the Transmission Provider's administrative costs.

34 Rates and Charges

The Network Customer shall pay the Transmission Provider for any Direct Assignment Facilities, Ancillary Services, Base Plan Charges (Schedule 11) and applicable study costs, consistent with Commission policy, along with the following:

- 34.1 Monthly Demand Charge for all Zones except Zone 1:** Except as provided in Section 34.1a, for all network load served by the Transmission Provider, other than network load physically located within the Public Service Company of Oklahoma and Southwestern Electric Power Company, Subsidiaries of American Electric Power, Inc. Zone, the Network Customer shall pay a monthly Demand Charge, which shall be determined by multiplying its Load Ratio Share times one twelfth (1/12) of the Existing Zonal Annual Transmission Revenue Requirement specified in Attachment H for each Zone in which the Network Customer's Network Load is physically located. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3,

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the Network Customer shall pay a monthly Demand Charge, which shall be determined by multiplying its Load Ratio Share times one twelfth (1/12) of the Existing Zonal Annual Transmission Revenue Requirement specified in Attachment H for the Zone that is the basis for charges under Schedule 9.

34.1a Monthly Demand Charge – Zone 1: For all network load physically located within the Public Service Company of Oklahoma and Southwestern Electric Power Company, Subsidiaries of American Electric Power, Inc. Zone, the Network Customer shall pay a monthly Demand Charge calculated as shown on Addendum I to Attachment H.

34.2 Determination of Network Customer's Monthly Network Load: The Network Customer's monthly Network Load is its hourly load (60 minute, clock-hour); provided, however, the Network Customer's monthly Network Load will be its hourly load coincident with the monthly peak of the Zone where the Network Customer load is physically located. Where a Network Customer has Network Load in more than one Zone, the monthly Network Load will be determined separately for each Zone. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3, the Network Customer's monthly Network Load will be its hourly load coincident with the monthly peak of the Zone that is the basis for charges under Schedule 9.

prior to the retail load receiving the right to choose a different supplier; and (3) its bundled load under Grandfathered Agreements. For purposes of this provision the non-rate terms and conditions are those that would apply to Network Customers. In addition, unless a Transmission Owner executes a Service Agreement under this Part III, it will not be considered as taking Network Integration Transmission Service.

V. Recovery of Costs for Base Plan Upgrades

40. Base Plan Charge

SPP shall assess a Base Plan Charge to recover the revenue requirement of facilities classified as Base Plan Upgrades.

41. Applicability of Base Plan Charges

Base Plan Charges shall be determined in accordance with Schedule 11 and assessed to:

- (a) Network Customers taking Network Integration Transmission Service to serve their Network Load under the SPP Tariff;
- (b) Transmission Owners providing transmission service to: (i) bundled retail load for which such Transmission Owners are not taking Network Integration Transmission Service or Firm Point-to-Point Transmission Service under the SPP Tariff; and (ii) load being served under Grandfathered Agreements for which such Transmission Owners are not taking Network Integration Transmission Service or Firm Point-to-Point Transmission Service under the SPP Tariff; and
- (c) Transmission Customers taking Point-to-Point Transmission Service under the SPP Tariff.

For the purposes of Schedule 11, the load defined in Sections 41(a) and (b) shall be classified as Resident Load.

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5. Direct Assignment Costs: Where a System Impact and/or Facilities Study indicates the need to construct Direct Assignment Facilities to accommodate a request for Transmission Service, the Transmission Customer shall be charged the full cost of such Direct Assignment Facilities in addition to the charges specified in this Schedule and Tariff. The annual costs of the facility shall be calculated by multiplying the levelized fixed charge rate of the Transmission Owner by the nondepreciated cost of the facility. Each month the Transmission Customer shall pay a charge based on such annual costs divided by twelve. Any such charge will be filed with the Commission.

6. Wholesale Distribution Service: Where Wholesale Distribution Service is provided to effectuate Firm Point-to-Point Transmission Service, the Transmission Customer shall pay all charges levied pursuant to the Wholesale Distribution Service Agreement and Schedule 10.

7. Base Plan Charges: The Transmission Customer shall pay all charges assessed pursuant to Schedule 11.

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5. **Losses:** The Transmission Customer shall replace losses determined in accordance with Attachment M.

6. **Wholesale Distribution Service:** Where Wholesale Distribution Service is provided to effectuate Non-Firm Point-to-Point Transmission Service, the Transmission Customer shall pay all charges levied pursuant to the Wholesale Distribution Service Agreement and Schedule 10.

7. **Base Plan Charges:** The Transmission Customer shall pay all charges assessed pursuant to Schedule 11.

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SCHEDULE 9

Network Integration Transmission Service

The Transmission Customer shall compensate the Transmission Provider for Network Integration Transmission Service at the applicable charges set forth below in addition to other applicable charges specified in the Tariff.

1. Zonal Rates: The Transmission Customer taking Network Integration Transmission Service shall pay a monthly demand charge for the Zone where the load is located. Each month, the Transmission Customer shall pay the Transmission Provider the applicable monthly zonal Demand Charge, determined in accordance with Section 34.1. If a Transmission Customer has load in multiple Zones, the Transmission Customer shall pay the monthly demand charge for each Zone in which its load is located- (i.e., the rate for each Zone shall be multiplied by the Transmission Customer's monthly Network Load in that Zone and the sum of the calculation for each applicable Zone shall be the total charges paid by the Transmission Customer). For load not physically interconnected with the Transmission System designated as Network load pursuant to Section 31.3, the Network Customer shall pay the zonal Demand Charge for the Zone interconnected with the Control Area, external to the SPP Region, that is the designated Point of Delivery. Where there is more than one Zone interconnected with such Control Area, the lowest zonal Demand Charge of the interconnected Zones is applicable. The Existing Zonal Annual Transmission Revenue Requirement ~~annual revenue requirements~~ of each Zone is stated in Attachment H.

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4. **Direct Assignment Costs:** Where a System Impact and/or Facilities Study indicates the need to construct Direct Assignment Facilities to accommodate a request for Transmission Service, the Transmission Customer shall be charged the full cost of such Direct Assignment Facilities in addition to the charges specified in this Schedule and Tariff. The annual costs of the facility shall be calculated by multiplying the levelized fixed charge rate of the Transmission Owner by the nondepreciated cost of the facility. Each month the Transmission Customer shall pay a charge based on such annual costs divided by twelve.

5. **Wholesale Distribution Service:** Where Wholesale Distribution Service is provided to effectuate Network Integration Transmission Service, the Network Customer shall pay all charges levied pursuant to the Wholesale Distribution Service Agreement and Schedule 10.

6. **Base Plan Charges:** The Transmission Customer shall pay all charges assessed pursuant to Schedule 11.

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SCHEDULE 11

Base Plan Charge

I. Introduction

Pursuant to Part V of this Tariff, the Network Customer and the Transmission Owner shall pay the Transmission Provider Base Plan Charges to recover the revenue requirement of facilities classified as Base Plan Upgrades based on their Resident Load in accordance with Section II of this Schedule. Likewise, the Transmission Customer taking Point-to-Point Transmission Service under the SPP Tariff shall pay the Transmission Provider Base Plan Charges to recover the revenue requirement of facilities classified as Base Plan Upgrades based on Reserved Capacity in accordance with Section III of this Schedule.

The charges stated in Schedule 11 shall not be changed absent a filing with the Commission.

II. Base Plan Charges to Resident Load

A. Base Plan Zonal Charge to Resident Load

The Network Customer and the Transmission Owner shall pay a monthly Base Plan Zonal Charge, which shall be determined by multiplying its Base Plan Zonal Load Ratio Share times one twelfth (1/12) of the Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H for each Zone in which the Network Customer's or Transmission Owner's Resident Load is physically located. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3, Network Customer shall pay a monthly Zonal Base Plan Charge, which shall be determined by multiplying its Base Plan Zonal Load Ratio Share times one twelfth (1/12) of the Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H for the Zone that is the basis for charges under Schedule 11.

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1. Determination of Network Customer's and Transmission Owner's Monthly Zonal Resident Load

The Network Customer's or Transmission Owner's monthly zonal Resident Load is its integrated hourly load coincident with the monthly peak of the Zone where the Resident Load is physically located. Where a Network Customer or Transmission Owner has Resident Load in more than one Zone, the monthly Resident Load will be determined separately for each Zone. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3, the Network Customer's monthly Resident Load will be its hourly load coincident with the monthly peak of the Zone that is the basis for charges under Schedule 11.

2. Determination of Transmission Provider's Monthly Zone Transmission Load

The Transmission Provider's monthly Transmission System load shall be determined in accordance with Section 34.3 of this Tariff.

B. Base Plan Region-wide Charge to Resident Load

The Network Customer and Transmission Owner shall pay a monthly Base Plan Region-wide Charge, which shall be determined by multiplying its Base Plan Region-wide Load Ratio Share times one twelfth (1/12) of the Base Plan Region-wide Annual Transmission Revenue Requirement specified in Attachment H.

1. Determination of Network Customer's and Transmission Owner's Monthly Regional Resident Load

The Network Customer's or Transmission Owner's monthly regional Resident Load is the sum of its monthly zonal Resident Load for each Zone, where the monthly zonal Resident Load is determined separately for each Zone coincident with the monthly peak of the Zone in accordance with Section II.A.1.

2. Determination of Transmission Provider's Monthly Regional Transmission Load

The Transmission Provider's monthly regional Transmission System load is the sum of the monthly Zone transmission load for each Zone, where the

monthly zone transmission load for each Zone is determined on a non-coincident basis in accordance with Section II.A.2.

III. Base Plan Charge for Point-to-Point Transmission Service

A. Base Plan Zonal Charge for Point-to-Point Transmission Service

The Base Plan Zonal Charge shall be assessed to Transmission Customers taking Firm or Non-Firm Point-to-Point Transmission Service under the SPP Tariff. The Transmission Customer shall pay the Base Plan Zonal Rate (per kW of Reserved Capacity) based upon the Zone where the load is located for Point-to-Point Transmission Service where the generation source is outside the SPP Region and the load is located within the SPP Region and for Point-to-Point Transmission Service where both the generation source and the load are located within the SPP Region. For Point-to-Point Transmission Service where the generation source is located within the SPP Region and the load is located outside of the SPP Region, and for Point-to-Point Transmission Service where both the generation source and the load are located outside of the SPP Region, the Transmission Customer shall pay the Base Plan Zonal Rate (per kW of Reserved Capacity) for the Zone interconnected with the Control Area, external to the SPP Region, that is the designated Point of Delivery. Where there is more than one Zone interconnected with such Control Area, the lowest Base Plan Zonal Rate of the interconnected Zones is applicable. The Base Plan Zonal Rates shall be calculated in accordance with Section III.D.

B. Base Plan Region-wide Charge for Point-to-Point Transmission Service

The Base Plan Region-wide Charge shall be assessed to Transmission Customers taking Firm or Non-Firm Point-to-Point Transmission Service under the SPP Tariff. The Transmission Customer shall pay the Base Plan Region-wide Rate (per kW of Reserved Capacity) for Point-to-Point Transmission Service. The Base Plan Region-wide Rate shall be calculated in accordance with Section III.C.

C. Base Plan Region-wide Rate for Point-to-Point Transmission Service

I. Determination of Annual Base Plan Region-wide Rate

The Base Plan Region-wide Annual Transmission Revenue Requirement specified in Attachment H is the basis for the Base Plan Region-wide Rate. The

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annual Base Plan Region-wide Rate for Firm Point-to-Point Transmission Service shall be determined in accordance with the following formula:

$$\text{BPRR} = \frac{\text{BPRATRR}}{\text{MRTL}}$$

in which

BPRR = the annual Base Plan Region-wide Rate

BPRATRR = the Base Plan Region-wide Annual Transmission Revenue Requirement as specified in Attachment H

MRTL = the average of the sum of the monthly regional Transmission System load for the twelve months of the calendar year on which the rate is based. The monthly regional Transmission System load is determined in accordance with Section II.B.2.

2. Base Plan Region-wide Rate for Firm Point-to-Point Transmission Service

The Base Plan Region-wide Rate for Firm Point-to-Point Transmission Service shall be:

Per month = annual Base Plan Region-wide Rate divided by 12;

Per week = annual Base Plan Region-wide Rate divided by 52;

Per day "on peak" = the "per week" Base Plan Region-wide Rate divided by 5; provided that the rate for 5 to 7 consecutive days may not exceed the "per week" Base Plan Region-wide Rate; and

Per day "off peak" = the "per week" Base Plan Region-wide Rate divided by 7.

3. Base Plan Region-wide Rate for Non-Firm Point-to-Point Transmission Service

The Base Plan Region-wide Rate for Non-Firm Point-to-Point Transmission Service shall be:

Per month = annual Base Plan Region-wide Rate divided by 12;

Per week = annual Base Plan Region-wide Rate divided by 52;

Per day "on peak" = the "per month" Base Plan Region-wide Rate multiplied by 12 then divided by 260;

Per day "off peak" = the "per month" Base Plan Region-wide Rate multiplied by 12 then divided by 365;

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Per hour "on peak" = the "per month" Base Plan Region-wide Rate multiplied by 12 then divided by 4160; and

Per hour "off peak" = the "per month" Base Plan Region-wide Rate multiplied by 12 then divided by 8760.

4. Total Region-wide Base Plan Charge

The total region-wide charge paid by a Transmission Customer pursuant to a reservation for hourly delivery shall not exceed the above on-peak daily rate multiplied by the highest amount of Reserved Capacity in any hour during such day. The total region-wide charge in any week, pursuant to a reservation for hourly or daily delivery, shall not exceed the above Base Plan Region-wide Rate specified for weekly delivery multiplied by the highest amount of Reserved Capacity in any hour during such week.

D. Base Plan Zonal Rates for Point-to-Point Transmission Service

1. Determination of Annual Base Plan Region-wide Rate

The Base Plan Zonal Annual Transmission Revenue Requirements specified in Attachment H are the basis for the Base Plan Zonal Rates. The annual Base Plan Zonal Rates for Firm Point-to-Point Transmission Service shall be determined in accordance with the following formula for each Zone.

$$\text{BPZR} = \text{BPZATRR} / \text{MZTL}$$

in which

BPZR = the annual Base Plan Zonal Rate for the Zone

BPZATRR = the Base Plan Zonal Annual Transmission Revenue Requirement for the Zone as specified in Attachment H

MZTL = the average of the sum of the monthly zone transmission load for the Zone for the twelve months of the calendar year on which the rate is based. The monthly zone transmission load is determined in accordance with Section II.A.2.

2. Base Plan Zonal Rate for Firm Point-to-Point Transmission Service

The Base Plan Zonal Rate for Firm Point-to-Point Transmission Service for each Zone shall be:

$$\text{Per month} = \frac{\text{annual Base Plan Zonal Rate for the Zone}}{\text{divided by 12;}}$$

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Per week = annual Base Plan Zonal Rate for the Zone divided by 52;

Per day "on peak" = the "per week" Base Plan Zonal Rate for the Zone divided by 5; provided that the rate for 5 to 7 consecutive days may not exceed the "per week" Base Plan Zonal Rate;

Per day "off peak" = the "per week" Base Plan Zonal Rate for the Zone divided by 7.

3. Base Plan Zonal Rate for Non-Firm Point-to-Point Transmission Service

The Base Plan Zonal Rate for Non-Firm Point-to-Point Transmission Service for each Zone shall be:

Per month = annual Base Plan Zone Rate for the Zone divided by 12;

Per week = annual Base Plan Zonal Rate for the Zone divided by 52;

Per day "on peak" = the "per month" Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 260;

Per day "off peak" = the "per month" Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 365;

Per hour "on peak" = the "per month" Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 4160; and

Per hour "off peak" = the "per month" Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 8760.

4. Total Zonal Base Plan Charge

The total zonal charge paid by a Transmission Customer for each Zone pursuant to a reservation for hourly delivery shall not exceed the above on-peak daily rate multiplied by the highest amount of Reserved Capacity in any hour during such day. The total zonal charge for each Zone in any week, pursuant to a reservation for hourly or daily delivery, shall not exceed the above Base Plan Zonal Rate for the Zone specified for weekly delivery multiplied by the highest amount of Reserved Capacity in any hour during such week.

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E. On-Peak and Off-Peak

Off-Peak days shall be Saturdays and Sundays and all NERC holidays. All other days shall be On-Peak. All hours during Off-Peak days shall be Off-Peak. On-Peak hours during On-Peak days shall be all hours from HE 0700 through HE 2200 Central Prevailing Time. All other hours during On-Peak days shall be Off-Peak.

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6.0 The Transmission Provider, as agent for the Transmission Owners, agrees to provide and the Transmission Customer agrees to take and pay for Firm Point-To-Point Transmission Service in accordance with the provisions of Parts I, II and V of the Tariff and this Service Agreement.

7.0 To the extent necessary to effectuate any transaction entered into pursuant to this Service Agreement, the following Transmission Owner(s) shall provide Wholesale Distribution Service over Distribution Facilities:

8.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Southwest Power Pool:

415 N. McKinley, 700 Plaza West

Little Rock, AR 72205

Transmission Customer:

9.0 The Tariff is incorporated herein and made a part hereof.

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ATTACHMENT B

Form Of Service Agreement For Non-Firm Point-To-Point Transmission Service

- 1.0 This Service Agreement, dated as of _____, is entered into, by and between Southwest Power Pool, Inc. ("The Transmission Provider"), and _____ (Transmission Customer).
- 2.0 The Transmission Customer has been determined by The Transmission Provider to be a Transmission Customer under Part II of the Tariff and has filed a Completed Application for Non-Firm Point-To-Point Transmission Service in accordance with Section 18.2 of the Tariff.
- 3.0 Service under this Agreement shall be provided by The Transmission Provider upon request by an authorized representative of the Transmission Customer.
- 4.0 The Transmission Customer agrees to supply information The Transmission Provider deems reasonably necessary in accordance with Good Utility Practice in order for it to provide the requested service.
- 5.0 The Transmission Provider, as agent for the Transmission Owners, agrees to provide and the Transmission Customer agrees to take and pay for Non-Firm Point-To-Point Transmission Service in accordance with the provisions of Parts I, II and V of the Tariff and this Service Agreement.
- 6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

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