

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Nora Mead Brownell, and Suedeen G. Kelly.

Southwest Power Pool, Inc.

Docket No. ER05-1285-000

ORDER ON PROPOSED TARIFF REVISIONS

(Issued September 30, 2005)

1. In this order, the Commission accepts, as modified, Southwest Power Pool, Inc.'s (SPP) proposed changes to its open access transmission tariff (Tariff) to modify the definition of Transmission Facilities. The Commission also accepts SPP's proposed Tariff revisions to satisfy the Commission's requirements that SPP: (1) provide for the distribution of revenue between multiple entities owning transmission facilities in a single zone, and (2) eliminate multiple scheduling charges (pancaked rates) for a single reservation or transaction.<sup>1</sup>

**I. Background**

2. SPP is an approved regional transmission organization (RTO)<sup>2</sup> and submits the proposed Tariff revisions under section 205 of the Federal Power Act (FPA)<sup>3</sup> in response to Commission orders addressing SPP's RTO application. SPP files three sets of revisions to its Tariff: (1) to modify the definition of Transmission Facilities by adding a new Attachment AI and revising the Definitions section; (2) to revise Attachment L to provide for the distribution of revenue between multiple entities owning transmission facilities in a single zone (sometimes referred to as compensation for customer-owned transmission facilities); and (3) to revise Schedule 1 (Scheduling, System Control and Dispatch Service) to eliminate assessment of multiple scheduling charges for a single reservation or transaction and to revise Attachment L (Treatment of Revenues) to provide

---

<sup>1</sup> *Southwest Power Pool*, 106 FERC ¶ 61,110 at P 115, 156 (February 10 Order), *order on reh'g*, 109 FERC ¶ 61,010 at P 53, 103 (2004); *Southwest Power Pool, Inc.*, 108 FERC ¶ 61,003 (July 2 Order) (2004), *order on reh'g*, 110 FERC 61,138 (2005).

<sup>2</sup> *Southwest Power Pool, Inc.*, 109 FERC ¶ 61,009 (2004), *order on reh'g*, 110 FERC ¶ 61,137 (2005).

<sup>3</sup> 16 U.S.C. § 824d (2000).

for the allocation of scheduling revenue under the new rate design.<sup>4</sup> Regarding the modifications to the definition of Transmission Facilities, SPP states that the proposed changes provide a uniform basis for the: application of formula rates; exercise of functional control of the transmission system; planning and expansion of the transmission system; compensation of new Transmission Owners; three-year period to apply the seven-factor test, if requested, for deviations from the bright line definition.

3. SPP states that each of the revisions was developed through SPP's stakeholder process, with initial responsibility for developing the proposed revisions assigned to SPP's Regional Tariff Working Group (RTWG). As of July 7, 2005, the RTWG had approved the proposed revisions to the Definitions section of SPP's Tariff, Schedule 1, Attachment L, as well as the new Attachment AI. The RTWG then forwarded each of the proposed revisions to SPP's Markets and Operations Policy Committee (MOPC) for further review. MOPC directed the SPP Regional State Committee (RSC) to review the definition of transmission. No official vote was taken by the RSC, but no individual RSC members expressed opposition. MOPC then sent a recommendation to the SPP Board that the revisions be approved. Finally, SPP explains that the SPP Board modified the MOPC-approved definition as described below. SPP maintains, however, that all of the material revisions have been thoroughly vetted through the SPP stakeholder process.<sup>5</sup>

4. SPP requests an effective date of October 1, 2005, for the revised Schedule 1, Attachment L, and section IV of Attachment AI. SPP further requests that the revisions to the Definitions section and sections I, II, and III of Attachment AI become effective when SPP files its formula rates or otherwise notifies the Commission.

## **II. Notice of Filing and Responsive Pleadings**

5. Notice of SPP's August 2, 2005 filing was published in the *Federal Register*, 70 Fed. Reg. 48,117 (2005), with interventions, comments, and protests due on or before August 23, 2005. The Louisiana Public Service Commission filed a notice of intervention. Timely interventions were filed by: Westar Energy, Inc. and Kansas Gas and Electric Company; The City, Water, and Light Plant of Jonesboro, Arkansas; Kansas City Power & Light Company; and Oklahoma Gas & Electric Company. Timely interventions and comments were filed by: American Electric Power Service Corporation (AEP); Lafayette Utilities Systems (Lafayette); and Midwest Energy, Inc. (Midwest Energy). Timely interventions and protests were filed by The City of Independence, Missouri, Oklahoma Municipal Power Authority and West Texas Municipal Power Agency (collectively, TDU Intervenors); East Texas Electric Cooperative, Inc., Northeast Texas Electric Cooperative, Inc., and Tex-La Electric

---

<sup>4</sup> Transmittal letter at 11.

<sup>5</sup> *Id.* at 2-3.

Cooperative of Texas, Inc. (collectively, East Texas Cooperatives); Empire District Electric Company (Empire); and Golden Spread Electric Cooperative, Inc. (Golden Spread).

6. Kansas Municipal Utilities filed a motion to intervene out of time. Xcel Energy Services, Inc. on behalf of Southwestern Public Service Company (Southwestern Public Service) (collectively, Xcel), filed a motion to intervene and protest out of time.

7. SPP and TDU Intervenors filed answers. Lafayette filed an answer to SPP's answer. SPP filed an answer to Lafayette's answer.

### **III. Discussion**

#### **A. Procedural Matters**

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2005), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Further, we find good cause to grant the motions to intervene out of time because they do not prejudice any party or cause undue delay in the proceeding.

9. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2005), prohibits answers to protests and answers to answers unless otherwise ordered by the decisional authority. We will accept SPP's, TDU Intervenors' and Lafayette's answers because they have provided information that assisted us in our decision-making process.

#### **B. Definition of Transmission Facilities and Attachment AI**

10. SPP proposes to revise the Definitions section and add a new Attachment AI setting forth the definition of Transmission Facilities to be used by SPP to provide transmission service under its Tariff. The proposal is the product of SPP's stakeholder process regarding the definition of transmission, with two exceptions. The SPP Board added the word "existing" to the first sentence of the first paragraph of section II of Attachment AI. The SPP Board also added the following sentence, "All facilities operated at 60 [kilovolt (kV)] and above constructed after October 1, 2005 would be included" to this same paragraph. The inserted language is shown underlined immediately below.<sup>6</sup>

---

<sup>6</sup> Transmittal letter at 3.

All existing non-radial power lines, substations, and associated facilities operated at 60 kV or above, plus all radial lines and associated facilities operated at or above 60 kV that serve two or more eligible customers not Affiliates of each other. All facilities operated at 60 kV and above constructed after October 1, 2005 would be included.

11. Section II of Attachment AI then specifies that Transmission Facilities must include: (a) all facilities used to interconnect various internal zones to each other and that interconnect SPP with other surrounding entities; (b) control equipment and facilities to control and protect facilities qualifying as transmission facilities; (c) for substations connected to power lines qualified as Transmission Facilities, where power is transformed from a voltage higher than 60 kV to a voltage lower than 60 kV, facilities on the high voltage side of the transmission will be included with the exception of transformer isolation equipment; (d) portions of direct current interconnect with areas outside SPP's region (DC tie) that are owned by a Transmission Owner in the SPP region, including portions of the DC tie that operate below 60 kV; and (e) all facilities operated below 60 kV that have been determined to be transmission using the Commission's seven factor test.<sup>7</sup>

12. Section III of Attachment AI describes facilities that are not Transmission Facilities: (a) generator step-up transformers and generator leads; (b) radial lines from a generating station to a single substation or switching station on the Transmission System; and (c) direct assignment facilities.

13. Under section IV of Attachment AI, Transmission Owners shall file within three years from the Commission's acceptance of the new definition, requests based on Attachment AI criteria with appropriate regulatory authorities (or with SPP, if not subject to a regulatory authority) for a determination as to which facilities are Transmission Facilities. Transmission Owners must then use reasonable efforts to adjust the applicable transmission service rates as soon as possible after such a determination is made.

---

<sup>7</sup> See *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 at 31,771, 31,981 (1996), *order on reh'g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 (1997), *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1996), *aff'd in part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

14. Finally, SPP proposes to define “Affiliate” (a term that is used in the new definition of Transmission Facilities quoted above) as “with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.” SPP states that the Commission previously approved similar definitions for “Affiliates” for other RTOs.<sup>8</sup> SPP proposes other minor revisions to the Definitions section in order to accommodate the new definitions of Transmission Facilities and Affiliate.

15. In summary, we will accept the revisions to the Definitions section and the new Attachment AI, as modified subject to the discussion below, and require a further compliance filing, in accordance with Order No. 614,<sup>9</sup> within 60 days.

**1. Issue - Adhering to Procedures Respecting the Stakeholder Process**

16. Empire and Xcel raise issues regarding the SPP Board’s modification to the MOPC-approved definition of transmission facilities. Empire argues that the Commission should not defer to the SPP Board’s revisions and should reject the SPP Board’s modification, since it was not fully considered by the SPP stakeholders and is not supported by a broad consensus.<sup>10</sup> Similarly, Xcel asserts that the proposed definition was not vetted through the normal stakeholder process because the SPP Board “significantly and unilaterally modified the RTWG Definition adopted through the stakeholder process.” Xcel asks that at minimum, the Commission require SPP to submit the revised definition to a stakeholder process before the definition is accepted.<sup>11</sup>

17. TDU Intervenors answer that Oklahoma Municipal Power Authority (OMPA), which was active throughout the stakeholder process on this issue, had sought inclusion of all facilities 60 kV and above in the definition of Transmission Facilities, but was outvoted in the various stakeholder working groups and committees (which are not subject to the balanced stakeholder representation requirements applicable to the SPP Members Committee). They say that OMPA submitted its minority position to the SPP

---

<sup>8</sup> See Transmittal letter at 12, citing Midwest Independent Transmission System Operator, Inc. Open Access Transmission and Energy Markets Tariff at section 1.5 and New York ISO Tariff at section 1.0c.

<sup>9</sup> *Designation of Electric Rate Schedule Sheets*, Order No. 614, 65 Fed. Reg. 18,221, FERC Stats. and Regs. ¶ 31,096 (2000).

<sup>10</sup> Empire Protest at 5-6.

<sup>11</sup> Xcel Protest at 7.

Board for consideration.<sup>12</sup> The SPP Board adopted a compromise version, which is the version submitted to the Commission for acceptance. TDU Intervenors say that they support the version as a reasonable compromise by the SPP Board in exercising its independent judgment.

18. SPP answers that SPP's Board has the authority to "not only vote on recommendations by SPP committees but also to modify those recommendations as it did here." It also states that while SPP's Board typically prefers to rely on recommendations from its committees, the SPP Board used its independent judgment to resolve an issue regarding one of those recommendations.<sup>13</sup>

### **Commission Determination**

19. Empire and Xcel's arguments do not persuade us that anything improper was done. The stakeholder process was extensive, involving all affected parties. It resulted in a compromise definition submitted for SPP Board approval, which was not universally supported. In response to a minority position presented to the SPP Board, the SPP Board forged a further compromise between the minority position and the MOPC-proposed definition, polled its Member Committee on the compromise position, and received an eight to six majority vote for its compromise definition. We also agree with SPP that the SPP Board has the authority to modify recommendations and exercised its independence in an appropriate manner, consistent with the Bylaws.<sup>14</sup>

---

<sup>12</sup> TDU Intervenors Answer at 3. TDU Intervenors cite the posted minutes of the July 26, 2005 SPP Board meeting, when an informal straw vote was taken of the SPP Members Committee. The MOPC draft received a vote of 5 for, 7 against, and 2 abstentions, while OMPA's minority draft received a vote of 8 for, 4 against, and 2 abstentions. See SPP's Board Minutes, available at [www.spp.org/publications/BOD0705.pdf](http://www.spp.org/publications/BOD0705.pdf)

<sup>13</sup> SPP Answer at 3-4.

<sup>14</sup> SPP Bylaws section 4.1 states that:

The Board of Directors shall solicit and consider a straw vote from the Members Committee as an indication of the level of consensus among Members in advance of taking any actions other than those occurring in executive session. See also, section 4.1 (h) which states "Act on appeals pursuant to section 3.10." Section 3.10 authorizes the SPP members to submit alternative recommendations to the Board if it disagrees with actions or recommendations by any Organizational Group.

**2. Issue - Whether Umbrella and Joint Action Agencies Should Be Treated As Affiliates**

20. AEP requests clarification that members of umbrella and joint action agencies should not be viewed as separate customers, but as the equivalent of affiliates. East Texas Cooperatives ask that the Commission reject AEP's request because the question was not raised in the stakeholder process and AEP's view is inconsistent with Commission precedent.<sup>15</sup> East Texas Cooperatives argue that no affiliate relationship exists between itself and its members, or between the members and their distribution cooperative members. Golden Spread is concerned that a facility could lose its designation as a transmission facility if two or more customers served by the facility, such as large end users or cooperatives, decide to merge.<sup>16</sup>

21. SPP answers that its definition is similar to previously approved definitions for "Affiliates" for other RTOs.<sup>17</sup>

**Commission Determination**

22. The clarification that AEP seeks conflicts with Order Nos. 888 and 888-A. In Order No. 888, we limited our requirement for non-public utilities to provide reciprocal open access transmission to corporate affiliates. We also stated: "[i]f a [generation and transmission] cooperative seeks open access transmission service from the transmission provider, then only the [generation and transmission] cooperative, and not its member distribution cooperatives, would be required to offer transmission service. However, if a member distribution cooperative itself receives transmission service from the transmission provider, then it (but not its [generation and transmission] cooperative) must offer reciprocal transmission service over its interstate transmission facilities."<sup>18</sup>

23. In Order No. 888-A, we did not view the generation and transmission cooperative and its distribution member to be a single economic unit for purposes of stranded cost

---

<sup>15</sup> *Citing* Order No. 888-A at 30,366; *Avista Corp., et al.*, 96 FERC ¶ 61,058 at 61,173 (2001).

<sup>16</sup> AEP Comments at 5; East Texas Cooperatives Protest at 11-12; Golden Spread Protest at 6.

<sup>17</sup> *Supra* n.8.

<sup>18</sup> *See* Order No. 888 at 31,763.

recovery. Instead, we found that a generation and transmission cooperative seeking to recover stranded costs from a departing customer of a member distribution cooperative would in effect be seeking recovery of such costs from an indirect customer.<sup>19</sup>

24. We are not persuaded to view the relationship between generation and transmission cooperatives and their member cooperatives, or the member cooperatives and other member cooperatives, differently (*i.e.*, as affiliates) here. Accordingly, AEP's request to treat members of umbrella joint action agencies as corporate affiliates is refused.

25. SPP does not answer Golden Spread regarding the concern that a facility may lose its designation if two or more end-use customers decide to merge. We will require that SPP clarify the matter in its compliance filing.

### **3. Issue - Treatment of Radial Lines**

26. Xcel and Golden Spread argue that the proposal fails to define radial lines. They also say that SPP's footprint includes some transmission lines that were constructed as looped facilities, but that have been operated as radials, through the opening of a circuit, for operational reasons, and ask how these would be treated.<sup>20</sup>

27. AEP requests clarification that existing radials serving less than two non-affiliated customers cannot become eligible for reclassification as transmission facilities simply by converting into looped configurations and thereby shifting significant costs. Alternatively, AEP asks the Commission to direct SPP to develop reliability criteria for such conversion in order to remove an incentive to shift costs.<sup>21</sup>

28. East Texas Cooperatives suggest that "existing" be removed from the definition because "existing" calls into question whether an existing radial or set of radials that is later looped in would be included as part of the transmission system. Without clarification, it is uncertain whether future loops would be eligible for cost sharing. If closed through, they will perform the same function as existing closed loops and will be indistinguishable from existing closed loops.<sup>22</sup>

---

<sup>19</sup> See Order No. 888-A at 30,366. The Commission described an indirect customer as a customer of a wholesale requirements customer of the utility.

<sup>20</sup> Golden Spread Protest at 5; Xcel Protest at 9.

<sup>21</sup> AEP Comments at 4-5.

<sup>22</sup> East Texas Cooperatives Protest at 7-8.

29. TDU Intervenors advise the Commission to reject AEP's requested clarification barring reclassification of existing radial lines that become looped in the future. However, they welcome SPP's development and application of comprehensive criteria dealing with all aspects of reliability and ensuring service to all loads at comparable rates and with comparable reliability.<sup>23</sup>

30. SPP answers that the treatment of "open loops" was discussed at length during the RTWG's deliberation on this definition and it was decided that "open loops" would be considered radial lines. SPP also clarifies that if a future loop contains an existing radial, that existing radial would be eligible for inclusion in rates.<sup>24</sup>

### **Commission Determination**

31. We find that the definition and SPP's subsequent clarification adequately address the parties' questions regarding "radial lines." We will require, however, that SPP modify its proposal to incorporate the clarifications in its Answer into the definition.

32. We note that not treating as Transmission Facilities lines normally operated as open is similar to treatment of facilities in ISO New England, Inc.<sup>25</sup> Regarding concerns raised by parties as to future development of radial lines into looped configurations, we note that SPP must perform regional transmission planning studies and seasonal assessments of the reliability and economic operation of the SPP Transmission System. We will rely on this independent process to identify existing radial lines that should be expanded into looped configurations and then treated as Transmission Facilities under the Tariff.

### **4. Issue - Prior Determinations of Facilities**

33. Midwest Energy seeks clarification that SPP's new definition of Transmission Facilities does not require Transmission Owners to seek from their state commissions repetitive and duplicate determinations to satisfy the Commission's seven factor test. It proposes that the seven factor test not be required again for facilities that have already been determined under the seven factor test to meet the new definition of Transmission Facilities.<sup>26</sup>

---

<sup>23</sup> TDU Intervenors Answer at 5.

<sup>24</sup> SPP Answer at 8.

<sup>25</sup> ISO New England Inc., FERC Electric Tariff No. 3, Open Access Transmission Tariff, section II.H. – Other Transmission Provisions, section II.49 – Definition of PTF, Original Sheet No. 610.

<sup>26</sup> Midwest Energy Comments at 2-3.

34. SPP responds that section IV of Attachment AI will apply only to facilities that have not previously been determined under the seven factor test to meet the definition of Transmission Facilities.<sup>27</sup>

### **Commission Determination**

35. We accept SPP's clarification in response to Midwest Energy's concern and find that no modification to the language in section IV is necessary.

### **5. Issue - Classification of Facilities**

36. Some parties argue that the proposed definition of Transmission Facilities inconsistently applies the Commission's seven factor test by requiring that it be applied to facilities below 60 kV but not to facilities at and above 60 kV.<sup>28</sup> They argue that the language inserted by the SPP Board, categorizing as transmission all facilities at and above 60 kV constructed after October 1, 2005, is not just and reasonable because it includes facilities that the SPP ordinarily excludes from its transmission plan.<sup>29</sup> Golden Spread states that such criteria, based on the date of construction, will likely lead to disputes over what constitutes "construction."<sup>30</sup>

37. Xcel and Golden Spread fault the proposal for excluding existing transmission facilities that were built to serve load while including identical facilities constructed after October 1, 2005 in the definition of Transmission Facilities. Golden Spread asserts that more than half of its delivery points are served from radial lines, yet most of these facilities have been considered part of the Southwestern Public Service transmission system. Similarly, Xcel states that Southwestern Public Service serves agricultural and energy production-related loads over a large geographical area with radial facilities and the related assets are a significant portion of the Southwestern Public Service system. Golden Spread asserts that if its radial lines were suddenly declared no longer to be part of the SPP transmission system, this would result in a cost shift, and Golden Spread's load would become entirely responsible for those facilities while still having to pay a share of the cost of similar facilities in SPP that serve other load.<sup>31</sup> Golden Spread also asserts that differing treatment of new and existing facilities creates incentives for

---

<sup>27</sup> SPP Answer at 9-10.

<sup>28</sup> Golden Spread Protest at 5; Xcel Protest at 8; Empire Protest at 7-8.

<sup>29</sup> Empire Protest at 9; Xcel Protest at 8; Western Farmers Comments at 3.

<sup>30</sup> Golden Spread Protest at 6; Xcel Protest at 6-7.

<sup>31</sup> Golden Spread Protest at 3-4; Xcel Protest at 5.

Transmission Owners to discriminate by prioritizing construction of transmission upgrades to serve their own load ahead of upgrades that would serve their wholesale customers.<sup>32</sup>

38. In its Answer, SPP states that its proposed definition will only determine which existing facilities will be rolled in for cost sharing purposes. It is not meant to be the determinative test for future facilities, since under SPP's cost allocation plan, which was recently approved by the Commission, future facilities that operate at 60 kV or above must also be Base Plan Upgrades under section 1.3(h) of the SPP Tariff in order for their revenue requirements to be subsidized by the SPP transmission system.<sup>33</sup> SPP also clarifies that the construction will be deemed to be concluded when a facility is placed into commercial operation.

39. Regarding allegations that the proposal applies the Commission's seven factor test inconsistently, SPP answers that nothing in the filing is intended to preclude the submission of a request to the Commission or the appropriate state regulatory agency to classify or de-classify a facility operating at or above 60 kV as a Transmission Facility.<sup>34</sup>

40. Regarding comments that the proposal treats new and existing transmission facilities differently, SPP contends that the Commission has allowed different treatment of facilities that are already in existence. SPP cites the Commission's statement that, prior to turning functional control of their transmission facilities over to an independent operator, Transmission Owners made transmission investment decisions based on their own needs, not the needs of the region, and that such decisions were designed to minimize the cost of power, not the cost of transmission as a stand alone commodity.<sup>35</sup> In response to Golden Spread's assertion that transmission owners have incentives to discriminate by prioritizing construction of transmission upgrades, SPP states that SPP will determine which facilities need to be constructed, not the Transmission Owners. SPP concludes that its decision to treat existing facilities at 60 kV and above differently is consistent with Commission precedent and is just and reasonable.<sup>36</sup>

### **Commission Determination**

41. We find that the sentence inserted by the SPP Board is inconsistent with SPP's expressed intent for Attachment AI to determine only which existing facilities will go

---

<sup>32</sup> Golden Spread Protest at 6-7.

<sup>33</sup> See SPP Answer at 6.

<sup>34</sup> *Id.* at 7.

<sup>35</sup> Citing *New England Power Pool*, 83 FERC ¶ 61,045 at 61,237-39 n.76 (1998).

<sup>36</sup> SPP Answer at 6.

into transmission rates on a going forward basis, while deferring to the approved SPP Tariff section 1.3(h) for the rate treatment for future transmission upgrades. This is because SPP's proposed sentence appears to pre-judge the outcome of the section 1.3(h) process by stating that '[a]ll facilities operated at 60 kV and above constructed after October 1, 2005 would be included' even though it is possible that certain such facilities would not be included under section 1.3(h) because they are not Base Plan Upgrades. Accordingly, we direct SPP to revise this sentence to simply state that the rate treatment for transmission upgrades completed after October 1, 2005 will be determined pursuant to section 1.3(h).

42. We agree with SPP that the definition does not limit application of the Commission's seven factor test to facilities below 60 kV. SPP has explained that parties are not precluded from seeking determination from this Commission or state commissions regarding the status of any facilities. Lastly, we disagree with Golden Spread that the proposal permits discrimination in construction scheduling since defining facilities is different from construction scheduling. SPP has a SPP Board-approved RTO Transmission Expansion Plan process, and we expect any facilities constructed under the plan would be scheduled in a non-discriminatory manner consistent with Good Utility Practice, as defined in SPP's Tariff.

### **C. Distribution of Revenue to Multiple Transmission Owners In a Single Zone**

43. SPP proposes amendments to Attachment L to comply with our requirement in the February 10 and July 2 Orders that it provide for the distribution of revenue between multiple entities owning transmission facilities in a single zone. Specifically, sections II and IV of Attachment L have been revised to allocate revenue for Network Integration Transmission Service (NITS), Point-To-Point (PTP) service, and Schedule 1 System Control and Dispatch services.

44. Revisions to section II govern the distribution of revenue for NITS. Additions to section II(A) preserve the rights of parties to Grandfathered Agreements by stating that nothing in Attachment L is intended to supersede or otherwise affect their rights. In addition, SPP proposes to distribute revenues associated with Grandfathered Agreements by reducing a transmission seller's owner-specific existing zonal annual revenue requirement (OEZRR) by the revenues associated with the Grandfathered Agreements to the extent that they are not already excluded from its OEZRR. Likewise, the OEZRR of a Transmission Owner who purchases NITS under a Grandfathered Agreement will have its OEZRR increased to reflect the purchase of services under the Grandfathered Agreement. Attachment L, section II (B)(2)(b).

45. New section II (B) governs the revenue distribution for NITS for single owner and multi-owner zones. In single owner zones, the Transmission Owner in the zone receives all revenue. For multi-owner zones, revenues will be distributed in proportion to the

respective share of the Transmission Owners' Existing Zonal Revenue Requirement (EZRR), adjusted for the Grandfathered Agreement revenue noted above. For a Transmission Owner that does not take NITS for its native load customers, section II (B)(2)(c) provides that SPP shall compute hypothetical NITS payments equal to the cost to serve its native load as if those customers paid for service under Schedule 9 (Network Integration Transmission Service). SPP will then compute the hypothetical payments, add any distributed Schedule 9 charges, and subtract the Transmission Owner's EZRR. If the amount is positive, the Transmission Owner will pay SPP this amount. If it is negative, SPP will pay the Transmission Owner.<sup>37</sup>

46. New section II (C) governs revenue distribution for PTP service. Where the source and sink are in a single zone, 50 percent of the revenue shall be distributed to the Transmission Owners in proportion to their EZRR. The other 50 percent shall be distributed to the Transmission Owners in proportion to the MW mile impacts incurred by each Transmission Owner.<sup>38</sup> For all other PTP services, 50 percent of the revenues will be distributed in proportion to their respective shares of the sum of the OEZRRs for all zones, and 50 percent in proportion to the MW mile impacts incurred by each Transmission Owner.

47. Lafayette states that it supports the multi-owner compensation provisions as a fair and reasonable compromise; however, it also asks that the Commission consider whether the scope of the revisions should be broader. Lafayette says that the proposal does not address the issue of establishing a new Transmission Owner as a separate pricing zone; rather it only deals with compensation for new Transmission Owners in an existing pricing zone. Lafayette says that this separate zone option is important to Lafayette because its ability to avail itself of the multi-owner revenue distribution option is doubtful. It cannot participate in the SPP, since SPP requires a direct electrical connection.

48. SPP answers that if Lafayette is able to transfer operational control of its transmission facilities to SPP, SPP will work with Lafayette to resolve its concerns.

---

<sup>37</sup> These provisions apply to all zones except Zone 1, the AEP zone. AEP has a stated NITS rate rather than a rate calculated based on a load ratio share. If, however, a Transmission Owner establishes an OEZRR, under the proposal it will be entitled to receive revenue in a proportionate amount.

<sup>38</sup> Attachment S (Procedure For Calculation of MW-Mile Impacts for Use in Revenue Allocation and Determination of Losses) sets forth SPP's MW-mile methodology.

### **Commission Determination**

49. We accept SPP's proposed changes to Attachment L, finding that they are just and reasonable and have not been shown to be unjust, unreasonable, unduly discriminatory, or preferential. Moreover, most parties urged Commission acceptance of the revisions. Further, we find the proposed revenue distribution procedures to be equitable because they will compensate Transmission Owners in a manner that attempts to match transmission use with a Transmission Owner's cost. Specifically, the proposal recognizes that all transmission use affects the costs for all Transmission Owners, and 50 percent of the revenue is distributed to all proportionally; the balance is then distributed based on the MW-Mile methodology, which reflects actual use of the system. Accordingly, we shall accept the revisions for filing.

50. Lafayette's concern regarding the scope of the revisions and its ability to participate fully in the SPP RTO is beyond the scope of this proceeding. However, we encourage Lafayette to pursue efforts to participate in the SPP RTO, and we encourage SPP to work with Lafayette to accomplish this. If Lafayette transfers operational control of its transmission facilities to SPP, the issue of whether a separate pricing zone is appropriate for Lafayette can then be addressed.

#### **D. Removal of Pancaked Rates for Schedule 1 Charges**

51. SPP proposes that for customers taking firm or non-firm PTP transmission service for through and out transactions, the Schedule 1 charge will be the product of the capacity reserved, expressed in megawatts (MW), and either the monthly, weekly, daily, or hourly rate for on-peak service or the daily or hourly rate for off-peak service.<sup>39</sup>

52. For customers taking firm or non-firm PTP transmission service for transactions into and within SPP's transmission system, the Schedule 1 charge will be the charge under the approved rate schedule of the zone that is the point of delivery. For customers taking NITS, the Schedule 1 charge will be the charge under the approved rate schedule of the zone in which the load is located.<sup>40</sup>

53. SPP further proposes a new Addendum 1 to Schedule 1 to provide that revenue from the provision of Schedule 1 service for customers taking firm or non-firm PTP transmission service for through and out transactions will be allocated to Transmission

---

<sup>39</sup> Second Revised Sheet No. 94, Southwest Power Pool FERC Electric Tariff, Fourth Revised Volume No. 1.

<sup>40</sup> Second Revised Sheet No. 94, Southwest Power Pool FERC Electric Tariff, Fourth Revised Volume No. 1.

Owners in proportion to the respective scheduling revenue requirement of each such Transmission Owner. SPP used previously approved scheduling revenue requirement amounts and 2004 loads to develop the rates for through and out service in Schedule 1.<sup>41</sup>

54. SPP makes a corresponding modification to section 4 of Attachment L, Distribution of Other Revenues, to clarify the allocation of Schedule 1 revenues under the proposed rate design. Schedule 1 revenues for through and out transactions will be allocated to the providers of the service in proportion to the respective scheduling revenue requirement of each provider, as specified in Addendum 1 to Schedule 1.<sup>42</sup>

55. Finally, SPP proposes that Schedule 1 will continue to be applied only to customers taking service under Schedules 7, 8, and 9 and to exclude the bundled retail and bundled wholesale loads of the Transmission Owners service under section 39.<sup>43</sup>

### **Commission Determination**

56. We find that SPP has complied with the Commission's directive to eliminate duplicative Schedule 1 charges, and we accept the amended Schedule 1 for filing.

57. This pricing will permit only one scheduling charge to be assessed for any particular reservation or schedule. Customers with transactions sinking within SPP will pay only one scheduling charge, that of the sink zone, at rates that have already been accepted or approved. Customers taking through or out service will pay only one scheduling charge, based on the average approved cost of all such providers within SPP. This design will minimize cost shifting by allowing each control area operator to continue to be compensated at a rate that reflects its particular costs of the required scheduling function. This design also preserves the choice made by some Transmission Owners not to have scheduling charges.

58. Finally, we find that the proposed language conforms with our policy that Transmission Owners, on behalf of their entire load, including grandfathered wholesale and bundled retail loads, take service under the non-rate terms and conditions in the SPP Tariff as a prerequisite for SPP obtaining RTO status.<sup>44</sup>

---

<sup>41</sup> First Revised Sheet No. 94A, Southwest Power Pool FERC Electric Tariff, Fourth Revised Volume No. 1.

<sup>42</sup> Transmittal letter at 6.

<sup>43</sup> Transmittal letter at 12.

<sup>44</sup> February 10 Order at P 108.

**E. Effective Dates**

59. SPP requests an effective date of October 1, 2005, for the revised Schedule 1, Attachment L, and section IV of Attachment AI. It requests that the revisions to the Definitions section and sections I, II and III of Attachment AI become effective when SPP files formula rates or otherwise notifies the Commission. SPP states that this delayed effective date is to demonstrate that the proposed definition of Transmission Facilities is not intended to change currently effective rates or the scope of service provided and that it will provide time for the conversion of rates and services to conform to the new definitions. SPP says that it plans to file formula rates within the next six months and will rely on our acceptance of the new definitions in developing its rates.

60. Lafayette argues that SPP's request to make certain revisions effective at such time that SPP files formula rates or otherwise notifies the Commission is too vague and open-ended. It requests that SPP implement a more definite and specific approach to avoid future controversy. East Texas Cooperatives state that SPP's requested effective date may hinder their efforts to become new Transmission Owners in the near future because such acceptance would delay eligibility for compensation for the facilities turned over to SPP. East Texas Cooperatives ask the Commission to clarify that the proposed effective date will not prevent new companies from joining SPP as Transmission Owners until SPP files its formula rates. TDU Intervenors likewise request that the effective date apply to new Transmission Owners, effective October 1, 2005. TDU Intervenors and Lafayette also argue that the delay was not vetted with stakeholders.<sup>45</sup>

61. SPP clarifies that sections I, II, and III of Attachment AI will apply to new Transmission Owners as of October 1, 2005, but requests that they not apply to existing Transmission Owners until SPP files formula rates or otherwise notifies the Commission. SPP reiterates that the proposed revisions to the definition are not intended to change currently effective rates or the scope of services provided and that the conversion of rates and services to conform to the new definition will take some time.

**Commission Determination**

62. We will accept SPP's proposed revisions to Schedule 1, Attachment L, and section IV of Attachment AI to become effective October 1, 2005, as requested. We find that the proposed delayed implementation for sections I, II, and III of Attachment AI as clarified by SPP is reasonable, since the delay will not affect new Transmission Owners. We agree with SPP that the implementation of the definition is not intended to change

---

<sup>45</sup> Lafayette Comments at 10; East Texas Cooperatives Protest at 8-9; TDU Intervenors Protest at 5-10.

current rates and that conversion of the transmission rates will take some time. We also find that SPP's clarification renders moot TDU Intervenors' and Lafayette's concern that the delayed implementation was not vetted in the stakeholder process.

The Commission orders:

(A) The proposed revisions to the Schedule 1 and Attachment L are hereby accepted for filing.

(B) The proposed revisions to the Definitions section and the new Attachment AI, as modified, are accepted for filing.

(C) SPP must file, within 60 days of the date of this order, revised Tariff sheets to incorporate the modifications to the new Attachment AI.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.