



DECEMBER 11, 2007 FERC TECHNICAL CONFERENCE  
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I appreciate the opportunity to participate in today's technical conference and to share with you SPP's perspective regarding our Generation Interconnection queue issues.

SPP's experience certainly bears out the Commission's observation that stress has been placed on the current queue management approach due to the unprecedented demand in some regions, principally renewable generation. From 2003 through 2005, the SPP queue received 24 requests each year. In 2006 the queue received 49 requests. For 2007, SPP has received 53 requests. Currently, there are 76 requests that are active in the queue. Of these, 67 are for wind projects that total 15,000 MW. If wind farms with signed IA are added in this number jumps to over 19,000 MW. Compared to last year at this time, we had 27 active wind requests for a total of 4,368 MW.

One other observation is useful. SPP's current peak load is approximately 43,500 MW. The wind with IAs and under study amounts to over 40% of the peak demand. The current projections by DOE/NREL/AWEA on wind development in SPP are 2 to 3 times the levels which exist today in the SPP queue.

This development has significantly increased the work load on the generation interconnection study staff of SPP. We have hired additional staff members to respond to the increase in the work load. And we are having increasing difficulty obtaining outside resources to augment the SPP staff. We are finding that fewer consultants will bid on the study work due to their increased work loads.

We at SPP believe that there are a few issues related to Order No. 2003's principles that are of concern. The primary issue is low cost of entry and lack of commitment necessary for parties to file an interconnection request. As a result, many requests which may be speculative are using the process to add certainty and credibility to their projects. These projects often execute Interconnection Agreements and are later suspended with a maintained queue position which complicates the study process.

Allow me to give a few examples from our experience. A large portion of interconnection requests we receive do not have a buyer for their energy as evidenced by our Queue/Peak Demand ratio. We have instances when a Load Serving Entity has issued an RFP and our queue sees a significant increase in requests from customers responding to it. After the winners of the RFP are announced, the other requests are usually not withdrawn. There have been instances in which customers have made requests without knowing which machine that will be used for the project. Subsequent

changes due to procurement or other difficulties have caused the request to be re-studied, sometimes multiple times. There are also instances in which a request was made for a large project, but only a portion of the project was actually developed. The result was that there was an excess in the IA that was not used initially by the requester and could not be used by requesters lower in the queue.

A secondary concern is that the LGIA gives the customer the option of suspending the project at no cost to the customer for up to three years. The LGIP indicates that the suspension shall be handled through construction sequencing but does not give guidance on how to handle a queue with multiple projects in suspension. SPP currently has approximately 1,900 MW of IAs on suspension, all of them being wind projects. This makes studies extremely hard to complete as the models used for study become unrealistic especially as we now see several instances with multiple interconnection requests at the same interconnection point.

Another secondary concern is the distinction between interconnection and delivery. In SPP's process, the only network upgrades that are assigned to interconnection customers are upgrades related solely to short circuit and transient stability analysis. For certain interconnection requests, this can result in minimal network upgrades being assigned to the project. This results in a relatively low withdrawal rate for SPP. However, it results in a relatively high suspension rate and a host of speculative projects signing an interconnection agreement.

There have been discussions about required clustering. While clustering of interconnection requests may trigger the network upgrades that are necessary for the generation, the cost allocation that would occur using current SPP mechanisms will most likely cause high withdrawal rates and multiple restudies that other RTOs currently experience but so far SPP has not seen. It is unclear how the requests studied in the cluster process would have priority to use the network upgrades the cluster group would pay to build. It is also unclear how a project that is cost allocated a portion of an upgrade in a cluster setting would be responsible if it goes on suspension.

SPP does have experience in clustering transmission service requests studies, referred to in SPP as the Aggregate study. SPP's experience in the Aggregate study process has been mixed in that we have sold 3,600 MW of new service, but it should be noted that withdrawal rates are causing multiple restudies. Currently a study has been restudied eight times. The MW being analyzed for this particular study has dropped from 10,200 MW to 1,600 MW.

These experiences suggest to SPP that changes to the current process are necessary. These are items we have discussed.

First, refined application requirements to cause the Customer to increase its commitment to the project before it makes an application could be considered. The \$10,000 application fee may need to be increased, make it non-refundable, and applicable to construction costs. The application could contain indications of a viable project,

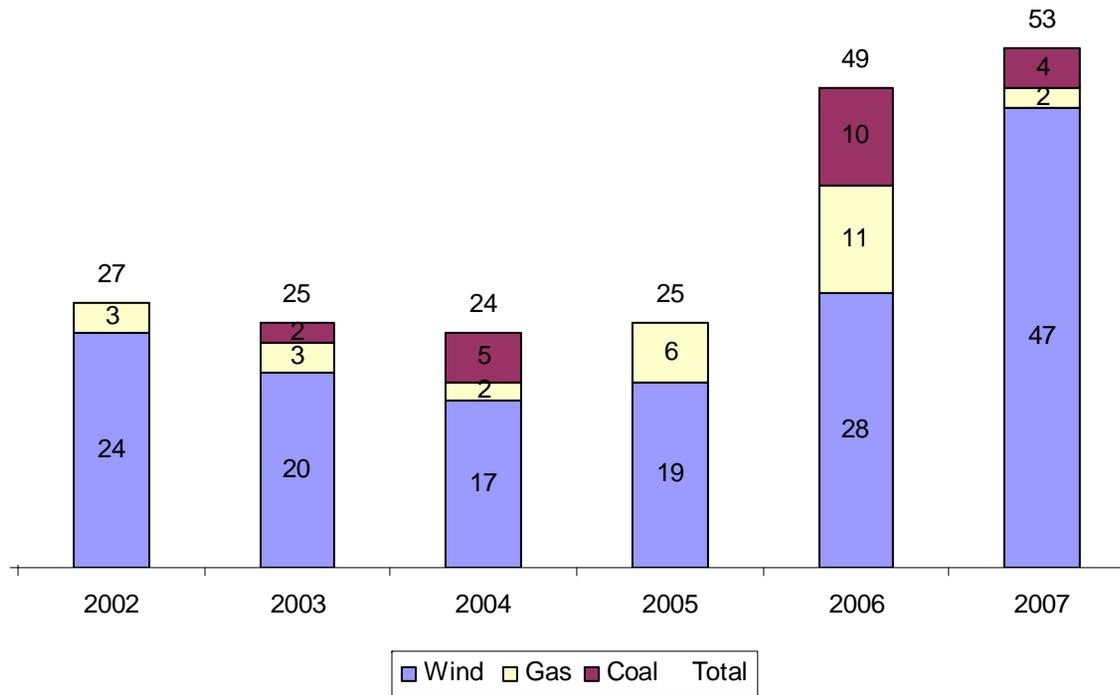
including site control commitments, site specific equipment purchasing, and/or power purchase agreements. If these commitments are not a requirement for all requests, the requests that can provide such commitments could have priority toward our study efforts. Requests for a re-study based upon different machines could be considered a material change which will cause a loss in the queue position.

Second, the option of the Customer to suspend an IA at no cost for up to three years should be revisited. This is too long for the uncertainty that it causes to the queue. Suspensions complicate the queue, confuse the study process and hinder projects lower in the queue. A shorter time that a project can be suspended could be considered. A charge for maintaining a project in a suspended status could be considered. If clustering is required, SPP requests guidance be given for cost allocation of upgrades to projects that are on suspension.

Lastly, if clustering is required, it should be in conjunction with changes mentioned above for more commitment requirement from Customers to reduce the withdrawal and suspension rate.

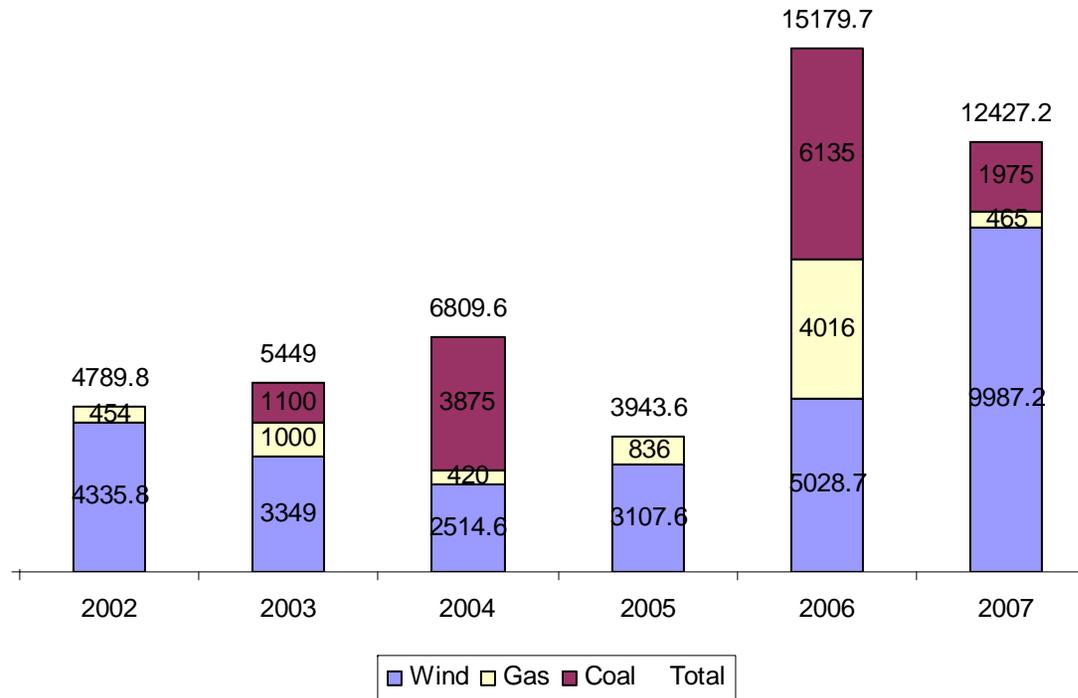
Thank you for your attention, and I would be happy to answer questions.

# Evolution of the Queue



\*Number of Units

# Evolution of the Queue



\*Values in MW

# Generation Interconnection Queue History

