

123 FERC ¶ 61,208  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

Southwest Power Pool, Inc.

Docket No. ER08-746-000

ORDER ACCEPTING IN PART AND REJECTING IN PART TARIFF CHANGES,  
AND DIRECTING COMPLIANCE FILING

(Issued May 27, 2008)

1. On March 28, 2008, Southwest Power Pool, Inc. (SPP) filed proposed revisions to its Open Access Transmission Tariff (Tariff) to (1) modify its transmission service aggregate study process, (2) clarify the application of its network upgrade cost allocation methodology and transmission service revenue crediting, and (3) include various non-substantive modifications and changes to provide internal consistency throughout the Tariff.

**Background**

2. On October 29, 2004, in Docket No. ER05-109-000, SPP submitted a proposal for an aggregate transmission service study process to evaluate long-term transmission service requests, as well as cost allocation and cost recovery provisions in Attachment Z (Aggregate Transmission Service Study Procedures) of its Tariff. On February 28, 2005, as amended on March 1, 2005, in Docket No. ER05-652-000, SPP submitted proposed Tariff revisions to both Attachment Z and Attachment J (Recovery of Costs Associated With New Facilities) in order to implement a regional transmission cost allocation plan, including revenue crediting procedures, with regard to new transmission upgrades. In Attachment J, SPP proposed a methodology to allocate the cost of Base Plan Upgrades.<sup>1</sup>

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<sup>1</sup> SPP defines Base Plan Upgrades as: “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 [SPP’s] Tariff. *All such upgrades shall specifically exclude planned* (continued...) ”

The Commission approved SPP's aggregate study process and cost allocation plan in a series of orders.<sup>2</sup>

### **The Filing**

3. Here, SPP proposes a number of changes to its Tariff to modify its aggregate study process, cost allocation plan, and revenue crediting processes. SPP also proposes other modifications and non-substantive revisions to its Tariff. SPP requests an effective date for the revisions of May 27, 2008.

4. SPP states that each of the proposed revisions was developed through SPP's stakeholder process and approved by SPP's Regional Tariff Working Group, Markets and Operations Policy Committee, and board of directors.

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

5. Notice of SPP's filing was published in the *Federal Register*, with motions to intervene and protests due on or before April 18, 2008.<sup>3</sup> Timely motions to intervene were filed by East Texas Electric Cooperative, Inc., Northeast Texas Electric Cooperative, Inc. and Tex-La Electric Cooperative of Texas, Inc. (collectively, East Texas Cooperatives); Dogwood Energy LLC; Redbud Energy LP; Oklahoma Gas and Electric Company (OG&E); Aquila, Inc.; and Xcel Energy Services, Inc., on behalf of Southwestern Public Service Company. Timely motions to intervene accompanied by comments or protests were filed by Missouri Joint Municipal Electric Utility Commission, Oklahoma Municipal Power Authority and West Texas Municipal Power Agency (collectively, TDU Intervenors); Western Farmers Electric Cooperative (WFEC); and Golden Spread Electric Cooperative, Inc. (Golden Spread). SPP filed an answer. OG&E filed a Motion to Answer One Day Out of Time and an answer.

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*Transmission System facilities indentified in the SPP Transmission Expansion Plan that are: (i) placed in service during the 2005 calendar year; or (ii) required to be in service to meet the SPP Criteria and the NERC Reliability Standards for the summer of 2005."* (SPP proposes to add the emphasized language in the filing at issue.)

<sup>2</sup> *Southwest Power Pool, Inc.*, 115 FERC ¶ 61,121 (2006); *Southwest Power Pool, Inc.*, 114 FERC ¶ 61,021 (2006); *Southwest Power Pool, Inc.*, 111 FERC ¶ 61,118 (2005), *order on reh 'g*, 112 FERC ¶ 61,319 (2005); *Southwest Power Pool, Inc.*, 110 FERC ¶ 61,028 (2005).

<sup>3</sup> 73 Fed. Reg. 19,203 (2008).

## **Procedural Matters**

6. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2007), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

7. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. 385.213(a)(2) (2007), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept SPP and OG&E's answers because they have provided information that assisted us in our decision-making process.

## **Discussion**

### **A. Contested Issues**

8. The following proposals are the subject of comments and protests in this proceeding.

#### **1. Attachment J (Cost Allocation Procedures)**

9. As revised, Attachment J clarifies the types of network upgrades available under the SPP Tariff: Sponsored Upgrades,<sup>4</sup> Service Upgrades,<sup>5</sup> Zonal Reliability Upgrades,<sup>6</sup> and Base Plan Upgrades.<sup>7</sup> In addition, SPP proposes that Base Plan Upgrade treatment will apply to Zonal Reliability Upgrades included in the 2005 SPP Transmission Expansion Plan and placed in service before January 1, 2008, while the cost of all other

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<sup>4</sup> SPP defines Sponsored Upgrades as: "Network Upgrades that are (i) Economic Upgrades or (ii) Requested Upgrades."

<sup>5</sup> SPP defines Service Upgrades as: "Network Upgrades required to provide transmission service requested by an Eligible Customer in accordance with Attachment Z1 to this Tariff."

<sup>6</sup> SPP defines Zonal Reliability Upgrades as: "Those upgrades included in and constructed pursuant to the SPP Transmission Expansion Plan in order to ensure the reliability of the Transmission System identified because of application of a Transmission Owner's company-specific planning criteria."

<sup>7</sup> As noted above, SPP proposes to revise the definition of Base Plan Upgrades to accommodate the new Zonal Reliability Upgrades.

Zonal Reliability Upgrades will be included in the applicable Zonal Annual Transmission Revenue Requirement.<sup>8</sup>

10. SPP explains that its stakeholders stated a desire that the cost of Zonal Reliability Upgrades be included in the applicable Zonal Annual Transmission Revenue Requirement. SPP states that such facilities are currently being constructed and placed in service and were not contemplated when SPP submitted its initial cost allocation filing. SPP therefore proposes a transition period during which Zonal Reliability Upgrades will be afforded Base Plan funding treatment because specific upgrades that qualify as Zonal Reliability Upgrades required funding before the relevant modifications to SPP's Tariff could be incorporated to create a category for such facilities.

### **Comments and Protests**

11. Golden Spread conditionally protests SPP's proposal to create the Zonal Reliability Upgrade, stating that SPP's filing does not address the interrelationship of this new category of unilaterally planned upgrades with the requirements of the regional planning process mandated by the Commission in Order No. 890.<sup>9</sup> For instance, Golden Spread asserts that SPP does not state that Zonal Reliability Upgrades must be vetted in the SPP regional planning process before transmission owners may seek to include costs associated with those upgrades in rates. Golden Spread contends that in the absence of such a requirement, the entire regional planning requirement may be undermined if transmission owners may build whatever facilities they choose, whether or not those facilities lead to the creation of an efficient regional network, simply by labeling the facilities Zonal Reliability Upgrades.

12. Therefore, Golden Spread urges the Commission to accept SPP's proposal only on the condition that all SPP transmission facilities must be the product of a planning process that complies with the requirements of Order No. 890, whether those facilities were undertaken as part of SPP's Order No. 890-compliant planning process or as "Zonal Reliability Upgrades" by individual transmission owners.

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<sup>8</sup> SPP defines Zonal Annual Transmission Revenue Requirement as: "The revenue requirements for facilities in each Zone and of the Avoided Revenue Requirement(s), if any, that are allocated to the Zone in accordance with Attachment J to this Tariff as set forth in Attachment H, Column (3)."

<sup>9</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 Fed. Reg. 12,266 (2007), FERC Stats. & Regs. ¶ 31,241 (2007), *order on reh'g*, Order No. 890-A, 73 Fed. Reg. 2984 (2008), FERC Stats. & Regs. ¶ 31,261 (2007).

13. TDU Intervenors also recommend that SPP provide additional clarification to specific sentences in sections III.B.2, III.B.3, and III.C.2.ii of Attachment J.

**SPP Answer**

14. SPP states that Golden Spread's protest overlooks SPP's proposed planning process filed on December 14, 2007, in Docket No. OA08-61-000 (December 14 Filing), which provides for consideration of Zonal Reliability Upgrades. Specifically, SPP states that the planning process allows individual transmission owners within the SPP footprint to develop company-specific planning criteria that must, at a minimum, conform to North American Electric Reliability Corporation's (NERC) standards and SPP criteria. In addition, transmission owners must provide their company-specific planning criteria to SPP at least once a year in order for Zonal Reliability Upgrade needs to be assessed and included in the SPP transmission expansion plan.<sup>10</sup>

15. SPP further states that its planning process also specifies that each transmission owner's individual planning is the basis for determining whether a reliability violation exists, which would in turn require consideration of a new Zonal Reliability Upgrade.<sup>11</sup> In addition, SPP states that, in compliance with Order No. 890's comparability planning principle,<sup>12</sup> its transmission-owning members and customers have equal access to each phase of SPP's planning process.<sup>13</sup> Therefore, SPP contends that it is clear that Zonal Reliability Upgrades will be included in SPP's transmission planning process and transmission customers such as Golden Spread will have an opportunity to provide input on such upgrades.

16. SPP states that TDU Intervenors' recommendations to modify language in Attachment J are inappropriate in the context of this proceeding. SPP asserts that it is not seeking to revise the language in question in this filing. Rather, the language TDU Intervenors seek to modify is in SPP's current Tariff. SPP therefore argues that TDU Intervenors' recommendations constitute an impermissible attempt to present a Federal Power Act section 206 complaint in the form of comments, and the Commission should reject these comments as procedurally improper.

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<sup>10</sup> December 14 Filing Attachment O, section III(5)(b)(i) and (ii).

<sup>11</sup> December 14 Filing Attachment O, section III(5)(b)(iv).

<sup>12</sup> See Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 494-95.

<sup>13</sup> December 14 Filing Transmittal Letter at 11-12.

## **Commission Determination**

17. We accept SPP's proposed changes to Attachment J to include Zonal Reliability Upgrades. As noted, SPP's proposed Order No. 890 planning process is pending before the Commission and provides for consideration of Zonal Reliability Upgrades. Specifically, SPP's proposed planning process allows individual transmission owners to develop company-specific planning criteria; however, transmission owners must provide their specific criteria to SPP at least once a year in order for the Zonal Reliability Upgrades to be assessed and included in the SPP transmission expansion plan. Furthermore, SPP's proposal provides that SPP's transmission-owning members and customers will have access to each phase of SPP's planning process. The Commission will address SPP's proposed Order No. 890 planning process in a future order in Docket No. OA09-61-000.

18. We reject TDU Intervenors' recommendations to require SPP to modify language in the specified sections of Attachment J because the language is already in SPP'S Tariff and is not the subject of this filing.

### **2. Aggregate Study Procedures**

19. SPP proposes to split Attachment Z into Attachment Z1 (Aggregate Transmission Service Study Procedures and Cost Allocation and Recovery for Service Upgrades) and Attachment Z2 (Revenue Crediting for Upgrades). Attachment Z1 provides for SPP's proposed Aggregate Transmission Service Study<sup>14</sup> procedures for long-term firm point-to-point and network transmission service requests. SPP proposes adding language to Attachment Z1 to provide that the aggregate System Impact Study<sup>15</sup> will be done in accordance with revised sections 19.3 and 32.3,<sup>16</sup> and the aggregate Facilities Study<sup>17</sup>

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<sup>14</sup> SPP defines Aggregate Transmission Service Study as: "Transmission system impact and facilities studies as described in Attachment Z1 that aggregate Transmission Service requests received over a 120-day period. These requests are evaluated simultaneously to provide for optimization of transmission expansion."

<sup>15</sup> SPP defines System Impact Study as: "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 Attachment Facilities, other Direct Assignment Facilities, and system upgrades that are needed to accept power into the grid at the interconnection receipt point, required to accommodate a request for generation interconnection in accordance with Attachment V and (iii) whether an additional costs may be incurred in order to provide transmission service or generation interconnection."

will be done in accordance with revised sections 19.4 and 32.4. Generally, SPP's sections 19.3 and 32.3 provide that a System Impact Study shall identify: (1) system constraints; (2) redispatch, including the estimated cost; and (3) additional facilities required for service. SPP proposes adding subsections 19.3(b) and 32.3(b) and deleting provisions in subsections 19.3(a) and 32.3(a), which has the effect of requiring all customers submitting requests for long-term transmission service (point-to-point or network) to execute a System Impact Study and a Facilities Studies Agreement. Furthermore, SPP proposes deleting language in subsections 19.4 and 32.4 that requires a Facilities Study Agreement only if the System Impact Study indicates that additional facilities are needed to accommodate a service request.

20. Related to changes for the Aggregate Transmission Service Study, SPP also proposes to change references to a "System Impact Study" to a "Facilities Study" in section 27 (Compensation for New Facilities and Redispatch Costs). This section provides that Facilities Studies performed in connection with the provision of long-term point-to-point transmission service may identify (1) the need for new facilities, (2) capacity constraints, and (3) redispatch options.

### **Comments and Protest**

21. TDU Intervenors state that the language in sections 19.3(a) and 32.3(a) implies that even where the aggregate System Impact Study shows that a long-term point-to-point transmission service request can be accommodated without upgrades, the customer is nonetheless required to participate in the aggregate Facilities Study in order to keep its completed application alive. TDU Intervenors state that they presume that this is not

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<sup>16</sup> The provisions in sections 19 and 32 (Additional Study Procedures for Firm Point-To-Point Transmission Service Requests and Network Integration Transmission Service Requests, respectively) are nearly identical, with section 19 addressing firm point-to-point transmission service and section 32 addressing network transmission service.

<sup>17</sup> SPP defines Facilities Study as: "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 Utilities 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."

what SPP intends and suggest that SPP add a provision to sections 19.3(a) and 32.3(a) allowing a long-term point-to-point or network transmission service customer to execute a service agreement upon completion of the System Impact Study phase if there are no upgrades needed to grant its request.

22. Similarly, TDU Intervenors argue that the proposal to delete language in sections 19.4(a) and 32.4(a) results in mandatory completion of a Facilities Study regardless of the conclusion of the System Impact Study, and TDU Intervenors contend the language should be retained to avoid this result.

23. TDU Intervenors state that SPP's proposed new sections 19.4(c) and 32.4(c) suggest that no service will be provided unless and until the Facilities Study either shows no upgrades are needed or the upgrades are installed, because these sections hinge on whether "the full amount" of a request can be accommodated. TDU Intervenors contend that this "all or nothing" result is inconsistent with the requirement to provide partial and/or interim service to the extent possible without upgrades in section 19.7.<sup>18</sup>

24. TDU Intervenors also contend that the changes to section 27(a) suggest that redispatch options are considered in the Facilities Study rather than the System Impact Study, which appears inconsistent with other provisions of the Tariff.

25. Finally, TDU Intervenors state that sections 19.4(c), 19.4(d), 32.4(c), and 32.4(d) are unclear about the timing relating to a customer's execution of a service agreement.

### **SPP Answer**

26. SPP states that TDU Intervenors' request that a long-term transmission service customer be permitted to execute a service agreement upon completion of the System Impact Study phase if the study shows service can be granted without upgrades is incompatible with SPP's proposed aggregate transmission study process. SPP states that, as proposed in Attachment Z1, it uses the aggregate transmission study process to combine all transmission service requests received during an open season to develop a more efficient expansion of the transmission system to accommodate all transmission service requests in the aggregate study group at the minimum total cost.<sup>19</sup> SPP states that while long-term transmission service customers in an aggregate study group have the option of withdrawing their transmission request once the aggregate System Impact Study has been conducted, all customers wishing to maintain their transmission requests must be included in the aggregate Facilities Study in order for SPP to determine the best

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<sup>18</sup> TDU Intervenors Comments at 4.

<sup>19</sup> See SPP March 28 Filing at Attachment Z1, section I.

solutions to reduce the overall costs for the aggregate study group and provide the requested service reliably. SPP contends that such a policy is just and reasonable and the Commission has agreed with SPP “that grouping transmission service request studies is an improvement over the current process and permits a more efficient method to determine the necessary network upgrades to accommodate service requests at the least cost.”<sup>20</sup>

27. In addition, SPP notes that its stakeholders are contemplating the elimination of the System Impact Study phase of the aggregate study process in order to provide more time to complete Facilities Studies. SPP states that this will result in a more efficient and cost effective determination of the necessary upgrades for an aggregate customer group.

28. SPP states that TDU Intervenors’ contentions that SPP will not provide any transmission service unless and until the Facilities Study either demonstrates no upgrades are needed or the upgrades are installed ignores provisions of SPP’s Tariff that explicitly provide for partial interim service. SPP asserts that section 19.7 and proposed section 32.8 of its Tariff require SPP to provide partial interim service in the event there is insufficient available transmission capacity to satisfy the full amount of a completed transmission service application.<sup>21</sup> Furthermore, SPP states that as set forth in its Order No. 890 compliance filing,<sup>22</sup> pursuant to its aggregate transmission study procedures, SPP analyzes all long-term transmission service requests together, and then conducts its assessment of redispatch options for the aggregate group that will allow customers to begin transmission service prior to the completion of network upgrades.<sup>23</sup>

29. SPP notes again that long-term service customer participation in the aggregate Facilities Study is necessary for SPP to determine the best solutions to reduce the overall costs for the study group and provide the requested service in a timely manner. Therefore, SPP states it is logical to revise section 27(a) of its Tariff to specify that redispatch options for long-term firm point-to-point transmission service requests will be identified in the aggregate Facilities Study.

30. Finally, SPP agrees that its proposed sections 19.4(c), 19.4(d), 32.4(c), and 32.4(d) are unclear about the timing relating to a customer’s execution of a service agreement.

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<sup>20</sup> See *Southwest Power Pool, Inc.*, 110 FERC ¶ 61,028 at P 16 (2005).

<sup>21</sup> See SPP March 28 Filing at Section 19.7, 32.8.

<sup>22</sup> See SPP Order No. 890 Compliance Filing at 3-5, Docket No. OA08-5-000, Oct. 11, 2007.

<sup>23</sup> See SPP March 28 Filing at Attachment Z1, Section V.a.

SPP notes the issue is currently being considered by SPP's stakeholder committees, and it states that it will submit revisions in the near future.

### **Commission Determination**

31. We reject all revisions SPP proposes in sections 19.3, 19.4(a) and (c), 32.3, and 32.4(a) and (c), which together have the effect of requiring long-term transmission service customers to remain in a Facilities Study, even if the System Impact Study shows that there is available transmission capacity to grant a request for service. SPP's current aggregate study procedures allow a customer to execute a service agreement if the System Impact Study indicates that service can be granted without additional network upgrades. SPP has not explained how or why its proposed changes are an improvement over the current process. We are also not persuaded that requiring a System Impact Study and Facilities Study for all long-term requests for transmission service is necessary to determine the best solution to reduce overall costs if a request does not contribute to the need for additional upgrades. Similarly, we reject SPP's proposal in section 27 to replace "System Impact Study" with "Facilities Study" as unsupported. It is also unclear why this proposal will lead to more efficient and cost effective transmission planning results.

### **3. Revenue Crediting Procedures**

32. While SPP's original Attachment Z only provided credits that were the result of the aggregate study process, SPP proposes to expand the eligibility for credits to other relevant customers in Attachment Z2, consistent with Commission directives.<sup>24</sup> In addition, SPP proposes language clarifying that any Project Sponsor<sup>25</sup> will be eligible for credits. Finally, SPP proposes language providing that revenue credits will be based on network and point-to-point transmission service that could not be provided "but for" the existence of the upgrade. SPP's currently effective Tariff only allows credits when new service increases loading in the direction of the initial overload. SPP states that its proposed revision recognizes that, although a particular upgrade may have been built to enable transfer capability in a particular direction, it may also provide benefits by increasing the ability to provide transmission service in the opposite direction.

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<sup>24</sup> See *Southwest Power Pool, Inc.*, 122 FERC ¶ 61,060 (2008). In the order, the Commission directed SPP to revise its Attachment Z to clarify that network upgrades associated with generator interconnection requests are eligible for crediting under Attachment Z in a manner similar to the financial compensation process used for subsequent incremental use of economic upgrades.

<sup>25</sup> SPP defines Project Sponsors as: "One or more entities that voluntarily agree to bear a portion or all of the costs of a Sponsored Upgrade."

33. SPP also proposes language in Attachment Z2 providing that Project Sponsors of Sponsored Upgrades will be paid credits until the Project Sponsor's credit balance is zero, and only then will other transmission customers who have paid credits to the Project Sponsor for using the Sponsored Upgrade receive such credits.

### **Comments**

34. WFEC states that it supports SPP's filing of the new Attachment Z2, subject to the rehearing filed by WFEC in Docket No. ER07-1311-000, because it clarifies that credits provided to an interconnecting generator that has paid for the costs of network upgrades will be recovered from the revenues provided by customers paying for new transmission service. WFEC also states that "new transmission service" is not clearly defined, but the intent appears to be that it applies to transmission service provided under requests submitted *after* the request that resulted in the need for the network upgrade for which credits must be provided.<sup>26</sup>

### **Commission Determination**

35. We accept SPP's revised revenue crediting procedures proposed in the new Attachment Z2. The revised procedures implement crediting for interconnection customers and expand eligibility to customers that fund network upgrades. WFEC's concerns about the application of the term "new transmission service" have been addressed in previous Commission orders.<sup>27</sup>

## **4. Section 34.1**

36. SPP proposes revisions to section 34.1 to account for zonal point-to-point transmission service revenue properly when calculating the network monthly demand charges for transmission owners with different accounting practices. In general, all point-to-point transmission service revenue allocated to each transmission owner should be reflected as a credit to the total zonal revenue requirement when calculating the network monthly demand charge. However, the accounting process used by a transmission owner in the development of a settled revenue requirement yields a posted net revenue requirement that already includes the point-to-point transmission service revenues allocated to the transmission owner during the settlement period. To avoid double counting of the credit in such cases, the credit included in the posted revenue requirement

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<sup>26</sup> WFEC Comments at 5.

<sup>27</sup> See generally, *Southwest Power Pool, Inc.*, 112 FERC ¶ 61,319 (2005), in which the Commission addressed issues related to crediting for new transmission service and increases in existing network resource designations.

is first added back to the revenue requirement, prior to the removal of the previous calendar year's point-to-point revenue. If another transmission owner credits point-to-point revenue back to customers through a mechanism external to SPP's Tariff, there is no reduction of the posted revenue requirement before computing the network monthly demand charge. In the case of transmission owners with formula rates, the credit adjustment is bypassed because the posted revenue requirement provides the proper computation of the network monthly demand charge. In this case, the product of the posted revenue requirement and the network customer's load ratio share is the network monthly demand charge.

### **Comments and Protest**

37. TDU Intervenors assert that there is no basis for the new language proposed in section 34.1, where SPP seeks to exclude a deduction for point-to-point revenues received by a transmission owner to the extent such revenues are "otherwise shared or credited to its zonal customers under some other mechanism."<sup>28</sup> TDU Intervenors state it is apparent from SPP's transmittal letter that SPP would exclude such revenue credits because the credits would be distributed to customers other than transmission customers taking service under the SPP Tariff, i.e., retail customers and wholesale power customers.<sup>29</sup> TDU Intervenors contend that the only basis for not reflecting the revenue credits would be if they were already somehow taken into account in the development of the transmission owner's annual transmission revenue requirement. TDU Intervenors assert that it is immaterial in determining rates to transmission customers whether a transmission owner gives credits to retail customers or wholesale power customers.

### **Answers**

38. SPP states that the intent of the new language proposed in section 34.1 that excludes point-to-point transmission service revenues is merely to recognize other mechanisms that appropriately flow transmission revenue back to transmission customers that are bearing transmission related costs.

39. OG&E states that TDU Intervenors challenge the language that would exclude amounts from the credit for point-to-point transmission service revenues if those revenues are "otherwise shared or credited to its zonal customer under some other mechanism."<sup>30</sup> However, OG&E points out that TDU Intervenors do not expressly

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<sup>28</sup> TDU Intervenors Comments at 5, citing SPP filing Revised Sheet Nos. 115-116.

<sup>29</sup> SPP Transmittal Letter at 22 and n 37.

<sup>30</sup> OG&E Answer at 4, citing TDU Intervenors Comments at 5.

challenge the other change to section 34.1, which would ensure that section 34.1 does not calculate a separate credit for point-to-point revenues for a Zonal Annual Transmission Revenue Requirement that is developed as an annual formula rate. Thus, OG&E states that TDU Intervenor recognize that it is appropriate not to deduct point-to-point revenues from the annual transmission revenue requirement when those point-to-point revenues are somehow already taken into account when the transmission owner develops the annual transmission revenue requirement.

### **Commission Determination**

40. We find that SPP's revisions to section 34.1 are just and reasonable and accept them for filing. We agree that the purpose of SPP's revisions is to ensure that revenue paid to transmission owners for transmission service in SPP is credited to customers only once. However, we direct SPP to clarify section 34.1 in a compliance filing within 30 days of the date of this order to state that only point-to-point revenues that are credited directly to wholesale customers through other mechanisms under the SPP Tariff should be excluded from the revenue credits.

### **B. Uncontested Proposed Revisions**

41. In addition to the revisions discussed above, SPP also proposes a number of other related modifications to its Tariff. For instance, in Attachment J, SPP proposes to clarify its cost allocation methodology, including: (1) specifying the means by which the revenue requirements are recovered for network upgrades, (2) adding language to clarify the applicability of the three criteria<sup>31</sup> used to determine whether network upgrades may be classified as Base Plan Upgrades, and (3) requiring that customers seeking waiver of the Base Plan criteria must submit their requests simultaneously with their transmission service requests.

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<sup>31</sup> As proposed, SPP's criteria provides that: "Service Upgrades, with a cost that exceeds \$100,000, associated with new or changed Designated Resources shall be classified as Base Plan Upgrades if all the following apply: (1) The Transmission Customer's commitment to the Designated Resource has a duration of at least five years; (2) In the first year the Designated Resource is planned to be used by the Transmission Customer, the accredited capacity of the Transmission Customer's existing Designated Resources plus the lesser of: (a) the planned maximum net dependable capacity applicable to the Transmission Customer or (b) the requested capacity; shall not exceed 125% of the Transmission Customer's projected system peak responsibility determined pursuant to SPP Criteria 2; and (3) the cost of Service Upgrades associated with the new or changed Designated Resource is less than or equal to \$180,000/MW times the lesser of (a) the planned maximum net dependable capacity applicable to the Transmission Customer or (b) the request capacity (the "Safe Harbor Cost Limit")."

42. In Attachment Z1, SPP proposes that in regard to cost allocation, the transmission service provider shall review all upgrades and determine the earliest date that each upgrade is required to be in-service in order to provide the requested transmission service shall be the “Date Upgrade Needed.” All requests that have a positive impact on an upgrade for which service has not been completed prior to the Date Upgrade Needed will be allocated the costs for the upgrade. The start date of the amortization period for the facility will be the expected in-service date, and the end date for the amortization period will be the end of the term of the request that ends at the latest point in time, as adjusted for deferral of any request. In addition, SPP proposes that in the event the expected in-service date of the upgrade is after the Date Upgrade Needed, customers with requests spanning this time may: (1) defer the start of the request until the expected in-service date of the upgrade; or (2) request that interim redispatch, if available, be provided in accordance with Attachment K of the Tariff.

43. In section 34, SPP identifies Directly Assigned Upgrade Costs,<sup>32</sup> and adds provisions in sections I.3-I.6 of Attachment H to detail certain parties’ obligations related to changing a specified revenue requirement.

44. Other conforming changes are found in the definitions section, Schedules 7 and 9, to update transmission owners’ names and accommodate the addition of Directly Assigned Upgrade Costs and the Zonal Annual Transmission Revenue Requirement, sections 29.2 and 30.2 and Attachments D and P, to accommodate various aspects of the new Aggregate Transmission Service Study; Attachments H and L, to identify the new Zonal Reliability Upgrade and Zonal Annual Transmission Revenue Requirement; and Attachments O and P, to reflect the existence of the aggregate study process set out in sections 19.4 and 32.4, as well as Attachment Z1. In addition, sections 19.2(i), 19.8, Schedule 7, and Attachments H, L, and P contain a number of non-substantive revisions.

45. Other miscellaneous revisions include: revisions to Addendum 1 of Schedule 1, Schedule 8, Appendix 1 of Attachment M, and Attachment T to update company names; Attachment F, to properly reference other portions of the attachment and Tariff, remove redundant provisions, and reflect the change in SPP’s mailing address; Attachment G to

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<sup>32</sup> SPP defines Directly Assigned Upgrade Costs as: “An Eligible Customer’s share of the costs of a Service Upgrade or a Project Sponsor’s share of the cost of a Sponsored Upgrade, determined in accordance with Attachments J and Z1, including: (i) any costs directly assigned to an Eligible Customer for a Service Upgrade in excess of the normally applicable transmission access charges for the associated transmission service; (ii) any costs directly assigned to an Eligible Customer that are in excess of the Safe Harbor Cost Limit for Service Upgrades associated with new or changed Designated Resource; and (iii) any costs directly assigned to a Project Sponsor for a Sponsored Upgrade.”

properly reference other Tariff provisions, properly reflect the signatories to the related network integration transmission service agreement, and cite NERC standards; and finally, various sections throughout the Tariff have been modified to refer consistently to the “Transmission Provider” instead of SPP.

### **Determination**

46. Our preliminary analysis indicates that SPP’s uncontested revisions are just and reasonable and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential. In addition, we find that these revisions improve the clarity and consistency of SPP’s Tariff. Accordingly, we will accept them for filing, effective May 27, 2008, as requested.

### **Miscellaneous**

47. As a final matter, we note that SPP agrees to incorporate in a subsequent compliance filing the clerical revisions suggested by the TDU Intervenors. In addition, SPP agrees to promptly file certain annual reports evaluating its aggregate study process and cost allocation procedures that are, in particular, to include information as to SPP’s disposition of all requests for waivers of the base plan criteria and review of the safe harbor limit, as directed by the Commission.<sup>33</sup>

### **The Commission orders:**

(A) SPP’s Tariff revisions to its aggregate study, revenue crediting, and cost allocation procedures are hereby accepted for filing in part and rejected in part, to become effective May 27, 2008, as discussed in the body of this order.

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<sup>33</sup> See *Southwest Power Pool, Inc.*, 111 FERC ¶ 61,118, at P 51, 61, *order on reh’g*, 112 FERC ¶ 61,319, at P 51 (2005) (requiring SPP to file annual informational reports reviewing the effectiveness of the \$180,000/MW safe harbor, the unintended consequences provisions, SPP’s disposition of all requests for waiver of the base plan criteria, the reasonableness of SPP’s application of the waivers and the treatment of any facilities granted waivers that subsequently caused unintended consequences).

(B) SPP is directed to make a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.