

153 FERC ¶ 61,369
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Cheryl A. LaFleur, Tony Clark,
and Colette D. Honorable.

Southwest Power Pool, Inc.

Docket No. ER16-165-000

ORDER ACCEPTING TARIFF REVISIONS, SUBJECT TO CONDITION

(Issued December 30, 2015)

1. On October 29, 2015, Southwest Power Pool, Inc. (SPP) submitted, pursuant to section 205 of the Federal Power Act¹ and Part 35 of the Commission's regulations,² revisions to its Open Access Transmission Tariff (Tariff) regarding the treatment of point-to-point transmission service revenues in the calculation of a transmission owner's zonal annual transmission revenue requirement (ATRR) for the purposes of determining monthly demand charges and base plan zonal and region-wide charges for network integration transmission service. In this order, we accept SPP's proposed Tariff revisions, subject to condition, to become effective January 1, 2016, as discussed below.

I. SPP's Filing

2. SPP states that its proposed Tariff revisions are intended to correct or clarify three issues regarding the treatment of point-to-point revenues. SPP explains that the first issue is that section 34.1 (Monthly Demand Charge) of the Tariff currently provides for a network customer's monthly demand charge to be reduced to reflect credits for only firm point-to-point transmission service revenues under Schedule 7 (Long-Term Firm and Short-Term Firm Point-to-Point Transmission Service).³ SPP states that this process of

¹ 16 U.S.C. § 824d (2012).

² 18 C.F.R. § 35.13 (2015).

³ SPP states that when section 34.1 of the Tariff was written, SPP offered only firm point-to-point transmission service under the Tariff. Subsequently, SPP implemented schedules which also generate point-to-point charges for non-firm point-to-

(continued...)

reducing the network customer's monthly demand charge is intended to assure that the transmission owner does not over-collect its ATRR by receiving its total ATRR from network customers under Schedule 9 (Network Integration Transmission Service) of the Tariff and additional point-to-point revenues that SPP collects under other schedules of the Tariff. However, SPP explains that because the Tariff currently provides for a network customer's demand charge to be reduced only for firm point-to-point revenues under Schedule 7, transmission owners may over-recover their ATRR from network customers if they receive any additional point-to-point revenues not already credited to the ATRR.⁴

3. To address this issue, SPP proposes to revise section 34.1 to provide that a network customer's monthly demand charge will be determined by multiplying its load ratio share times one-twelfth of the adjusted zonal ATRR, less any point-to-point revenues allocated to each transmission owner in the zone under Schedules 7 and 8.⁵ SPP also proposes to revise Schedule 11 of the Tariff to provide that a transmission owner's revenue requirement will be reduced by the amount of point-to-point revenues it receives during the previous calendar year under Schedule 11.⁶ SPP also makes clarifying edits to Attachment T (Rate Sheets for Point-to-Point Transmission Service) of the Tariff to include language addressing point-to-point revenue crediting for point-to-point rates. The new language clarifies that, for each of the transmission owners in the zone, rates for point-to-point transmission service under Attachment T will reflect any adjustments for Schedule 7 and 8 revenues not already credited.⁷

4. SPP explains that the second issue is that section 34.1 of the Tariff was implemented prior to the implementation of the formula rate templates for SPP transmission owners. According to SPP, after the implementation of section 34.1, many SPP transmission owners have implemented formula rate templates that reflect credits for point-to-point revenues under Schedules 7, 8, and 11 in the determination of their zonal

point transmission service under Schedule 8 (Non-Firm Point-to-Point Transmission Service) and base plan zonal and region-wide charges under Schedule 11 (Base Plan Zonal Charge and Region-Wide Charge). Transmittal at 3-4.

⁴ *Id.*

⁵ *Id.* at 6-7.

⁶ *Id.* at 9.

⁷ *Id.* at 11-12.

ATRR.⁸ Because these formula rates may already reflect crediting for point-to-point transmission revenues, SPP proposes to clarify section 34 and Schedule 11 to recognize in a more transparent fashion how point-to-point revenues are credited in the formula rates and stated rates of transmission owners.⁹ Specifically, SPP proposes to clarify that SPP will credit the transmission owner's rates for point-to-point revenues if such revenues were not already reflected in calculating the transmission owner's ATRR.¹⁰ For each transmission owner that uses a stated rate or a formula rate without an annual update of the Schedule 7 or 8 revenue credits, proposed section 34.1(2)(b) allows SPP during the settlement process to credit the transmission owner's zonal ATRR by the amount of the Schedule 7 and 8 revenues in a given year offset by the amount of Schedule 7 and 8 revenues, if any, already reflected in the calculation of the transmission owner's zonal ATRR. SPP will set forth each transmission owner's point-to-point revenues already credited in the calculation of the transmission owner's zonal ATRR in Table 3 of Attachment H.¹¹

5. SPP states that the third issue is that currently, sections 34.2 and 34.3 of the Tariff provide an exemption to the requirements of section 34.1 for American Electric Power (AEP) in SPP pricing zone 1 and Southwestern Public Service Company (SPS) in SPP pricing zone 11. SPP states that pricing zone 1 and 11 currently include other transmission owners that are integrated with AEP and SPS, respectively, and that these other transmission owners inadvertently became eligible for the same exception to section 34.1.¹² To address this issue, SPP proposes to correct the provisions related to the accounting of point-to-point revenues in the calculation of a transmission owner's zonal

⁸ *Id.* at 4.

⁹ *Id.*

¹⁰ *Id.* at 6.

¹¹ The amount of point-to-point revenues included in Table 3 of Attachment H includes the revenues that may have been used in a determination of transmission owner's zonal ATRR in a prior rate proceeding or included as an input into the transmission owner's formula rate that does not update the point-to-point revenues on an annual basis.

¹² Transmittal at 4.

ATRR for the purposes of determining monthly demand charges and base plan zonal and region-wide charges for network integration transmission service.¹³

6. SPP states that the proposed Tariff revisions should be accepted by the Commission because they will result in the proper accounting for all point-to-point revenue distributed to the transmission owners. According to SPP, the revisions are necessary to ensure that point-to-point revenues are properly accounted for in the transmission owners' ATRR so that the transmission owners do not over-recover their revenue requirements under the Tariff.¹⁴ SPP also explains that the proposed Tariff revisions clarify how SPP will properly account for all point-to-point revenues when the transmission owner's ATRR is not calculated using a formula rate that credits point-to-point revenues on an annual basis, or is instead a stated-rate that is not reduced to account for point-to-point revenues. SPP requests an effective date of January 1, 2016 for the proposed Tariff revisions.

II. Notice of Filing and Responsive Pleadings

7. Notice of SPP's filing was published in the *Federal Register*, 80 Fed. Reg. 68,250 (2015), with interventions and protests due on or before November 19, 2015. Timely motions to intervene were filed by: Arkansas Electric Cooperative Corporation; East Texas Electric Cooperative, Inc.; Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company; Mid-Kansas Electric Company, LLC; South Central MCN, LLC; Sunflower Electric Power Corporation; and Xcel Energy Services, Inc. The City of Independence, Missouri (Independence) filed a timely motion to intervene and limited protest. On December 7, 2015, SPP filed an answer.

A. Protest

8. Independence argues that the purpose of SPP's proposal is to ensure that a transmission owner will not over-recover its revenue requirements by collecting the full ATRR from network customers, plus an allocation of point-to-point transmission service revenues. Independence agrees with the general concept behind SPP's proposal, but is concerned that the Tariff revisions create the possibility of a revenue shortfall for any SPP transmission owner that uses a stated ATRR that includes a set, assumed level of point-to-point transmission service revenues.¹⁵ Specifically, Independence asserts that

¹³ *Id.* at 5.

¹⁴ *Id.*

¹⁵ Independence Protest at 3.

for a transmission owner with a stated rate that does include a point-to-point transmission service revenue credit, SPP's proposed language would result in under-recovery of its ATRR in any year in which the actual point-to-point transmission service revenue allocation received by the transmission owner is less than the point-to-point transmission service revenues assumed in the stated rate.¹⁶ According to Independence, the specific language that gives rise to this problem appears in various sections of the proposed Tariff changes, each of which should be revised to avoid the potential for revenue shortfall.

9. Independence requests that the Commission require SPP to revise its proposed "offset" language to make clear that in making its adjustments, SPP will add the entire assumed point-to-point transmission service revenue credit, thus making whole any transmission owner whose stated rate includes an assumed point-to-point transmission service revenue credit that is greater than the actual point-to-point revenues received in a given year.¹⁷

B. Answer

10. In response to the concerns raised by Independence, SPP proposes additional revisions to the Tariff language that could provide the clarification requested.¹⁸ Specifically, SPP proposes to revise section 34.1 to delete the concept of an "offset" for Schedules 7 and 8 point-to-point revenues and to replace it with language that recognizes that the point-to-point revenue adjustment will be only the difference, whether positive or negative, between the previous calendar year Schedule 7 and 8 revenues and the amount of Schedule 7 and 8 revenues, if any are already credited in the rate. SPP also proposes similar revisions to Schedule 11.¹⁹

11. SPP states that its proposed revised Tariff language has been reviewed by Independence and SPP is authorized to state that Independence agrees that its concerns would be addressed if the Commission orders the language be included as part of a compliance filing.²⁰

¹⁶ *Id.* at 5.

¹⁷ *Id.* at 6.

¹⁸ SPP Answer at 3.

¹⁹ *Id.* at 3-4.

²⁰ *Id.* at 4.

III. Discussion

A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

13. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2015), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept SPP's answer because it has provided information that assisted us in our decision-making process.

B. Commission Determination

14. We accept SPP's proposed Tariff revisions, subject to condition, as discussed below.²¹ We find that SPP's proposal, as modified by its answer, remedies the potential for under or over-recovery of transmission revenue by transmission owners by transparently reflecting revenue credits in transmission rates and that the proposal is otherwise just and reasonable. We further note that the additional Tariff revisions proposed by SPP in its answer address the concern raised by Independence and we direct SPP to file those revisions in the compliance filing ordered below. Accordingly, we accept SPP's proposed Tariff revisions, as modified by its answer, to become effective January 1, 2016, subject to SPP submitting a compliance filing within 30 days of the date of this order.

The Commission orders:

(A) SPP's proposed Tariff revisions are hereby accepted, subject to condition, to become effective January 1, 2016, as discussed in the body of this order.

²¹ The Commission can revise a proposal filed under section 205 of the Federal Power Act as long as the filing utility accepts the change. *See City of Winnfield v. FERC*, 744 F.2d 871, 875-77 (D.C. Cir. 1984). The filing utility is free to indicate that it is unwilling to accede to the Commission's conditions by withdrawing its filing.

(B) SPP is hereby directed to submit 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)

Nathaniel J. Davis, Sr.,
Deputy Secretary.