



**Federal Energy Regulatory Commission**  
**October 16, 2008**  
**Open Commission Meeting**  
**Staff Presentation**  
**Item E-10**

"Good morning, Mr. Chairman and Commissioners.

We present to you Item E-10, the draft order on Southwest Power Pool's, or SPP's, balanced portfolio proposal. In this proposal, SPP has amended its open access transmission tariff to establish a process for including a "balanced portfolio" of economic upgrades into the SPP transmission expansion plan, and to adopt a regional postage stamp rate design for recovery of the costs of such upgrades. Over the past two years, the Cost Allocation Working Group of the SPP Regional State Committee has worked with SPP Stakeholders to develop this proposal, which has garnered nearly universal stakeholder support. The draft order largely accepts SPP's proposal, requiring only minor modifications. The draft order concludes that SPP's proposal is an important step, as it promotes investment in new transmission facilities, reduces congestion, integrates efficient new resources, and accommodates new and growing loads.

Under its proposal, SPP will evaluate a group, or portfolio, of economic upgrades to be included in its transmission expansion plan, rather than evaluate the benefits of individual economic upgrades. SPP states that this approach is more likely to result in benefits to the entire system than a project-by-project approach, and it will alleviate potential disputes that may arise if the construction of a single project benefits one zone but not others.

SPP will identify economic upgrades to be included in a potential balanced portfolio through its annual transmission planning process and by soliciting stakeholder input. To be included in the initial phase of planning for a balanced portfolio, an economic upgrade must include a 345 kV or higher facility. Once a potential balanced portfolio of economic upgrades has been identified, SPP will use an adjusted production cost-benefits metric to conduct a cost-benefit analysis of the portfolio for each SPP zone. If the benefits of the portfolio meet or exceed the costs in each zone, the portfolio is then balanced. If a portfolio is not balanced, SPP has a reallocation mechanism in its proposal to ensure that all zones benefit from the balanced portfolio and no zone will be disadvantaged. The draft order accepts the proposal subject to conditions and rejects a request to require SPP to revise its cost-benefit analysis. Specifically, the draft order requires SPP to submit a compliance filing to ensure that stakeholders have data to verify the cost-benefit metrics. In addition, the draft order directs SPP to clarify that costs incurred by transmission owners or zones from third-party impacts are included among the factors affecting the revenue requirement associated with the economic upgrades.

Once a potential balanced portfolio has been approved by the SPP Market and Operation Policy Committee and the SPP Board of Directors, it will be included in the SPP transmission expansion plan, and one hundred percent of the revenue requirement for the balanced portfolio will be recovered through SPP's postage-stamp based Region-Wide Charge, which will be assessed to all SPP load. The draft order accepts SPP's proposed cost allocation methodology for a balanced portfolio.

This concludes staff's presentation. We would be happy to answer any questions you may have regarding the draft order."