



**Strawman Proposal
for Compliance with the
Nine Planning Principles
in the Final Rule**

Prepared by SPP Staff

May 22, 2007

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Part I - Compliance with the Nine Planning Principles in the Order No. 890

1 Order No. 890 Planning Requirements

In the Final Rule, Preventing Undue Discrimination and Preference in Transmission Service, the Commission concluded that Transmission Providers have a disincentive to remedy increasing transmission congestion on a nondiscriminatory basis and that the current *pro forma* Open Access Transmission Tariff (“OATT”) does not adequately address this problem. Therefore, the Final Rule requires that:

- (a) Transmission Providers participate in a coordinated, open and transparent planning process on both a local and regional level.
- (b) Each Transmission Provider’s planning process must meet the Commission’s nine planning principles, which are Coordination, Openness, Transparency, Information Exchange, Comparability, Dispute Resolution, Regional Participation, Economic Planning Studies, and Cost Allocation.
- (c) Each Transmission Provider must describe its planning process in its tariff.
- (d) The Commission will allow regional differences in planning processes.

Each Transmission Provider is required to submit, as part of a compliance filing in the Order No. 890 proceeding, a proposal for a coordinated and regional planning process that complies with the nine planning principles, described in Sections 3.1 through 3.9 of Part I, and other requirements of the Final Rule. In the alternative, a Transmission Provider may make a compliance filing in the proceeding describing its existing coordinated and regional planning process, including appropriate language in the tariff, and show that the existing process is consistent with or superior to the requirements in the Final Rule. Under either of these approaches, the planning process must be documented as an attachment to the Transmission Provider’s OATT.

Sections 3.1 through 3.9 of Part I describe the nine planning principles and how Southwest Power Pool’s (“SPP’s”) existing planning process complies with the principles.

2 Order No. 890 Timeline

The Commission plans to hold technical conferences 90 to 120 days after the publication of the Final Rule in the Federal Register. To facilitate these conferences, each Transmission Provider should, within 75 days after the publication of the Final Rule in the Federal Register, post a strawman proposal for compliance with each of the nine planning principles adopted in the Final Rule. Part II of this document is SPP’s strawman proposal. Section 18 of Part II provides links to supplemental strawman for Transmission Providers within the SPP footprint.

Each Transmission Provider is required to submit a proposal in a compliance filing for a coordinated and regional planning process that complies with the nine planning principles with 210 days after the publication of the Final Rule in the Federal Register.

3 Nine Planning Principles

3.1 Coordination

- The Commission allows Transmission Providers, with input of their customers and other stakeholders, to craft coordination requirements that work for those Transmission Providers and their customers and other stakeholders.
- The Commission does not prescribe the requirements of coordination, such as minimum number of meetings to be required each year, the scope of the meetings, the notice requirements, the format, and any other features.
- The planning process must provide for timely and meaningful input and participation of customers and other stakeholders in the development of the transmission plans.

SPP Compliance with the Coordination Principle

The SPP planning process is a coordinated regional and sub-regional planning process. Transmission Working Group meetings and regional and sub-regional planning summits are open to all stakeholders. Transmission Working Group meetings are held quarterly, with additional meetings held as needed. Regional planning summits are held semi-annually with sub-regional planning summits held as needed. These open Transmission Working Group meetings and planning summits eliminate the potential for undue discrimination in planning by opening appropriate lines of communication between SPP, the Transmission Owners, transmission providing neighbors, affected state authorities (including the Regional State Committee), customers and other stakeholders. Also, these forums give customers the opportunity to be included at the early stages of the development of the transmission plan. The SPP planning process clearly meets the intent of the Commission Order with respect to meeting regularly with customers and other stakeholders and soliciting their input on regional and sub-regional transmission planning.

An enhancement to the SPP planning process would be to include an opportunity for the Transmission Owners to vet local planning issues and cost-effective alternatives for solving the problems and for the stakeholders to provide input and feedback as part of or an extension of the sub-regional planning summits or other forum. SPP would facilitate this process.

In addition, the SPP planning process facilitates coordination, input/feedback and information exchange, via teleconferences, web conferences and EMC Documentum

eRooms (“eRooms”).¹ The use of this technology provides for more timely information exchange between SPP and the stakeholders than face to face meetings between stakeholders who are dispersed over such a large geographic region. Through the face to face meetings, teleconferences, web conferences and eRooms, stakeholders are involved from the beginning of the process in developing the scope of the studies, discussing the preliminary results, refining the scope of the analysis, suggesting alternative solutions, etc. The existing SPP planning process meets the requirement and intent that customers and other stakeholders have timely and meaningful input and participation into the development of, and modification to, the SPP Transmission Expansion Plan.

The SPP planning process is also coordinated with neighboring systems via formal agreements that address coordinated system planning and ad hoc planning studies. SPP has a joint operating agreement with Midwest Independent Transmission System Operator, Inc. (“MISO”) and a transmission coordination agreement with Associated Electric Cooperative, Inc. (“AECI”), both of which include provisions for coordinated system planning. The MISO/SPP Joint Operating Agreement provides for coordinated system planning between MISO and SPP to ensure that coordinated analyses are performed to identify expansions or enhancements to the transmission system capability needed to maintain reliability, improve operational performance, or enhance the competitiveness of electricity markets. The AECI/SPP Transmission Coordination Agreement provides for coordination of any studies required to assure the reliable, efficient, and effective operation of the transmission system. Both agreements provide that the resultant coordinated system plans have as input the results of ongoing analyses of requests for interconnection and ongoing analyses of requests for long-term firm transmission service; and that the coordinated system plans are an integral part of the expansion plans of each party. In addition, SPP has an agreement with Southwestern Power Administration (“SPA”), Attachment AD to the SPP Open Access Transmission Tariff (the “Tariff”). This agreement includes provisions to: (1) include in the SPP planning process the transmission facilities of SPA that are utilized to implement the Tariff; and (2) coordinate transmission planning and construction activities.

In addition, as part of the SPP planning process with stakeholder input and review, SPP has performed planning studies with other transmission providing neighbors such as Electric Reliability Council of Texas (“ERCOT”) and entities in Nebraska. Such studies and their results are included in the SPP Transmission Expansion Plan; but formal agreements addressing coordinated system planning with these neighbors do not exist. An enhancement to the SPP planning process would be to have a more formal agreement or approach to performing planning studies with transmission providing neighbors such as Entergy, ERCOT and entities in Nebraska instead of the current ad hoc approach. SPP has found that the role of its contracts services area as the Independent Coordinator of Transmission (“ICT”) for Entergy Services has improved the coordination and information exchange between SPP and Entergy as the ICT is responsible for producing Entergy’s regional planning assessments.

¹ EMC Documentum eRoom by EMC² is a secure, web-based workspace.

Coordination, transparency and information exchange will also be improved via the recent formation of the Eastern Interconnection Reliability Assessment Group (“ERAG”) in which SPP is a participant. The purpose of the ERAG effort is to further augment reliability of the bulk-power system in the joint areas of:

- (a) The Florida Reliability Coordinating Council, Inc. (“FRCC”),
- (b) The Midwest Reliability Organization (“MRO”),
- (c) The Northeast Power Coordinating Council, Inc. (“NPCC”),
- (d) ReliabilityFirst Corporation (“RFC”),
- (e) SERC Reliability Corporation (“SERC”), and
- (f) SPP

through periodic reviews of generation and transmission expansion programs and forecasted system conditions in the corporate region of the parties. The intent is that this one group will develop procedures, common assumptions and models for the purposes of coordinated system planning throughout the Eastern Interconnection. ERAG is a voluntary initiative of the regional entities in the Eastern Interconnection which will provide a single point of contact and facilitate coordination with ERCOT and Western Electricity Coordinating Council (“WECC”).

3.2 Openness

- The planning process must be open to all interested parties.
- The planning process must include safeguards to ensure data and information confidentially and to manage Critical Energy Infrastructure Information (“CEII”) concerns.

SPP Compliance with the Openness Principle

The Transmission Working Group meetings and regional and sub-regional planning summits are open to all affected parties including, but not limited to, all transmission and interconnection customers, state commissions and other stakeholders. In addition teleconferences and web conferences for these groups are open to all affected parties. At the beginning of each meeting or conference, the Standards of Conduct are reviewed. This clearly meets the intent of the Commission Order with respect to the overall development of the transmission plan and the planning process remaining open.

For providing stakeholder input and accessing data and information, SPP has developed password protected access to provide and retrieve information in order to manage confidentiality and CEII concerns. SPP’s planning process includes a password-protected eRoom which was created for model and planning information. In order to

access the eRoom, a confidentiality agreement must be executed on behalf of each company to access certain materials and data from SPP related to regional planning processes and related modeling and project data. The CEII compliant redacted version of the SPP Transmission Expansion Plan is posted on the SPP OASIS and website. The redacted version includes a CEII disclaimer and instructions on how to acquire the complete version of the SPP Transmission Expansion Plan. To acquire a complete version requires a signed confidentiality agreement with SPP and FERC CEII approval.

Also, SPP takes all reasonable efforts to preserve the confidentiality of information in accordance with the provisions of the Tariff and the Membership Agreement.

3.3 Transparency

- Transmission Providers are required to disclose basic planning criteria, planning assumptions and planning data along with study methodology, criteria, and processes.
- Transmission Providers are required to have written documentation of the study methodology, criteria, and processes used to develop transmission plans.
- Transmission Providers must make available information regarding the status of upgrades identified in their transmission plans in addition to the underlying plans and related studies.
- Transmission Providers are required to disclose criteria, assumptions, data and other information that underlie transmission expansion plans.
- Where demand resources are capable of providing the functions assessed in a transmission planning process, and can be relied upon on a long-term basis, the demand resources should be permitted to participate in the process on a comparable basis.

SPP Compliance with the Transparency Principle

SPP does document the regional planning criteria, assumptions and data along with the study methodology, criteria, and process. The criteria, assumptions, data and methodology are documented in a number of places, including, the stakeholder meeting materials, the SPP Criteria, the Transmission Network Economic Modeling and Methods white paper, the SPP Transmission Expansion Plan, password protected modeling and data information posted on the SPP website and other documentation. The intent of the requirement is met, but the level of detailed documentation requires further evaluation and the organization of the documentation on the SPP website could possibly be enhanced for ease of access.

The NERC Reliability Standards define specific requirements that provide a high degree of reliability for the large interconnected electric system. SPP provides additional coordinated regional transmission planning requirements to promote reliability through the SPP Criteria. The SPP Criteria are posted on the SPP website.

As part of the required documentation, SPP plans to document how the transmission planning criteria is applied/implemented in the SPP Region. The goal should be to ultimately establish a consistent interpretation of the transmission planning criteria to be applied/implemented across the interconnected electric system. For example, it appears that in some adjacent systems, Transmission Providers may not design their systems to maintain compliance with emergency ratings due primarily to financial and resource constraints until overloads exceed 110% of emergency ratings in planning studies. This practice is unacceptable from both a transparency and comparability perspective since it shifts the burden for system expansion to maintain reliability to adjacent Transmission Providers' systems who design their systems not to exceed 100% of emergency ratings in planning studies. Another example, some Transmission Providers may utilize load shedding as a mitigation plan to maintain compliance with transmission planning criteria and NERC Reliability Standards to the point that it is no longer the exception, but rather a general rule.

Individual Transmission Owners within the SPP Region may develop company-specific planning criteria that, at a minimum, conform to the NERC Reliability Standards and SPP Criteria. Transmission Owners must provide to SPP their company-specific planning criteria in order for the need for Zonal Reliability Upgrades to be assessed and included, as appropriate, in the SPP Transmission Expansion Plan. Some of the individual Transmission Owners post their company-specific planning criteria on their websites. An enhancement to the transparency of the SPP planning process would be for the company-specific planning criteria or links to the company-specific planning criteria to be posted on the SPP website.

The SPP planning process clearly covers the issue of data transparency by making the planning information available to the public simultaneously to all parties through the planning summits and Transmission Working Group meetings, the SPP website and eRoom.

SPP formally tracks the planned system upgrades to ensure that reliability projects are built in time or acceptable mitigation plans are in place to meet customer and system needs. SPP reports to the Markets and Operations Policy Committee, the Regional State Committee and the SPP Board of Directors on the status of the upgrades identified in the SPP Transmission Expansion Plan on a quarterly basis, at a minimum. SPP also posts the status of the upgrades on the SPP website, updating information as it becomes available.

In the past, the SPP planning process has not focused on treatment of demand resources in the development of the SPP Transmission Expansion Plan. At the January 2007 Regional State Committee technical conference in San Antonio, Texas, the need to include demand resources that are capable of providing the functions assessed in a transmission planning process in the SPP planning process was explicitly discussed.

3.4 Information Exchange

- Transmission Providers, in consultation with customers and other stakeholders, must develop information exchange guidelines and schedules for submittal of information from both network and point-to-point transmission customers.

SPP Compliance with the Information Exchange Principle

The SPP planning process does provide for information exchange from network and point-to-point transmission customers. Via the Aggregate Transmission Service Study process, customers provide information regarding specific requests for long-term firm transmission service, including network and point-to-point; but not for the entire planning horizon. Also, network customers are required to provide a new or updated Network Integration Transmission Service application each year with a ten year forecast of summer and winter load at each delivery point and ten year projection of network resources.

The SPP planning process needs to include the requirement that both network and point-to-point transmission customers provide their good faith projections on their need for service including the points of delivery and receipt over the planning horizon being evaluated and that customers include and note proposed demand response resources if they want them included in the development of the SPP Transmission Expansion Plan. This information exchange process and schedule needs to be formalized and better documented, including addressing the frequency of the information updates. Also, SPP should be noted as an important component in the strategic planning of the Transmission Owners and transmission dependent utilities in regard to resource supply options.

3.5 Comparability

- Order requires each Transmission Provider to develop a transmission plan that (1) meets the specific service requests of its transmission customers; and (2) otherwise treats similarly situated customers comparably in transmission system planning.
- Customer demand resources should be considered on a comparable basis to the service provided by comparable generation resources, where appropriate.

SPP Compliance with the Comparability Principle

The studies performed to develop the SPP Transmission Expansion Plan include analysis of several transactional scenarios to evaluate worst case biases for all service sold within, out of and across SPP to ensure comparability. In addition, the Aggregate Transmission Service Study process, set forth in Attachment Z to the Tariff, provides comparability in the manner in which all long-term service requests, for both point-to-point and network service, are evaluated and the need for upgrades to provide such service are determined. Under this process, SPP combines all long-term point-to-point and long-term designated network resource requests received during a specified period of time into a single study to determine a more efficient expansion of the transmission system that provides the

necessary Available Transfer Capability to accommodate all such requests. For the purposes of this process, all Transmission Owners that are not taking Network Integration Transmission Service under the Tariff are treated the same as transmission customers taking Network Integration Transmission Service under the Tariff.

SPP clearly develops the SPP Transmission Expansion Plan to meet the specific long-term service requests of its transmission customers. Service requests with signed service agreements are included in the planning models, including any upgrades identified as part of the Aggregate Transmission Service Study process required to provide such service.

SPP independently performs the regional planning studies. The regional planning criteria are comprised of the NERC Reliability Standards and SPP Criteria.

As described in Section 3.3 of Part I, a consistent interpretation of the transmission planning criteria to be applied/implemented across the interconnected electric system should be established and documented in order to provide comparability by preventing a Transmission Provider from shifting the burden for system expansion to maintain reliability to adjacent Transmission Providers' systems.

Individual Transmission Owners perform local planning studies using their own individual planning criteria. Individual planning criteria of each Transmission Owner are the basis for determining whether a reliability violation exists for which a local reliability upgrade should be considered by SPP to be included in the SPP Transmission Expansion Plan. Such Transmission Owner planning criteria must, at a minimum, conform to SPP Criteria and NERC Reliability Standards. The Transmission Owners are required to submit their individual planning criteria to SPP so that SPP can assess the need for the local reliability upgrade or if a better regional solution exists. SPP determines whether the local reliability upgrade will be included in the SPP Transmission Expansion Plan. It is reasonable for local planning to identify the need for reliability projects in advance of a broader regional plan simply due to the lower overall resource and load levels in regional models as a result of diversity between control areas and load pockets.

Based on the Final Rule, SPP will need to assure that each Transmission Owner applies its local planning criteria comparably to all load in its service territory.

3.6 Dispute Resolution

- For transmission planning related issues, Transmission Providers must have a dispute mechanism outlined in their OATT which is able to address both procedural and substantive planning issues.
- Transmission Providers can utilize their existing dispute resolution process, but must specifically state how the process will be used to address planning disputes.

SPP Compliance with the Dispute Resolution Principle

SPP has a dispute resolution provision in Section 12 of the Tariff. This section of the Tariff will need to be revised to address how the dispute resolution provision will be used to address both procedural and substantive planning disputes.

3.7 Regional Participation

- Each Transmission Provider is required to coordinate with interconnected systems to: (1) share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data; and (2) identify system enhancements that could relieve congestion or integrate new resources.
- Transmission Providers are required to specify the broader region in which they propose to conduct coordinated regional planning.
- The coordinated regional planning must be open and inclusive and address both reliability and economic considerations.

SPP Compliance with the Regional Participation Principle

As described in Section 3.1 of Part I, SPP coordinates with interconnected systems via formal agreements and ad hoc efforts. SPP has formal agreements with MISO and AECI that address coordinated system planning. The MISO/SPP Joint Operating Agreement addresses identifying expansions or enhancements to the transmission system capability needed to maintain reliability, improve operational performance, or enhance the competitiveness of electricity markets. The AECI/SPP Transmission Coordination Agreement does not specifically address economic considerations. SPP also has an agreement with SPA, Attachment AD to the Tariff. This agreement includes provisions to: (1) include in the SPP planning process the transmission facilities of SPA that are utilized to implement the Tariff; and (2) coordinate transmission planning and construction activities.

Inter-regional participation is also accomplished on an ad hoc basis. SPP staff and stakeholders participate in the planning forums of neighboring systems; and Transmission Providers from neighboring systems participate in the SPP planning process. In addition, as part of the SPP planning process with stakeholder input and review, SPP has performed planning studies with other transmission providing neighbors such as ERCOT and entities in Nebraska. Such studies and their results are included in the SPP Transmission Expansion Plan; but formal agreements addressing coordinated system planning with these neighbors do not exist. An enhancement to the SPP planning process would be to have a more formal agreement or approach to performing planning studies with transmission providing neighbors such as Entergy, ERCOT and entities in Nebraska instead of the current ad hoc approach.

The ERAG, in which SPP and other reliability regions in the Eastern Interconnection are participants, enhances inter-regional coordination in its efforts to further augment reliability of the bulk-power system in the Eastern Interconnection by developing

procedures, common assumptions and models for the purposes of coordinated system planning throughout the Eastern Interconnection.

3.8 Economic Planning Studies

- Transmission Providers are required to perform economic planning studies (1) to address both “local” congestion and congestion between control areas and sub-regions; and (2) to integrate new generation resources and/or loads on an aggregated or regional basis.
- Customers may request studies that evaluate potential upgrades or other investments that could reduce congestion or integrate new resources and loads on an aggregated or regional basis.
- Transmission Providers, in consultation with their stakeholders, must develop a means to allow the clustering or batching of requests for economic planning studies so that the Transmission Provider may perform the studies in the most efficient manner.
- Transmission Providers must post requests, as well as responses to the requests, for economic planning studies on their OASIS or website.
- Stakeholders must be given the right to request a defined number of high priority economic planning studies annually. The cost of the defined number of high priority studies will be recovered as part of the overall *pro forma* OATT cost of service. Stakeholders may request additional studies at their own expense.
- Transmission Providers must clearly define the information sharing obligations placed on customers in the planning attachment to the OATT.
- Transmission Providers need to study economic upgrades but do not have an obligation to build or fund.

SPP Compliance with the Economic Planning Studies Principle

As part of the SPP planning process, SPP identifies voluntary upgrades that have potential economic benefit to the SPP Region. As indicated in the flow diagram in Section 13.1 of Part II, SPP and the stakeholders identify market needs for transmission upgrades and propose potential economic upgrades which need to be evaluated as part of the SPP planning process. Then SPP performs a screening analysis to rank all proposed projects and also identify those potential transmission upgrades most likely to produce positive net benefits. Based on this ranking and input from the stakeholders, SPP subsequently performs more detailed analysis of the high priority projects in accordance with SPP’s documented transmission network economic modeling and methods. SPP does not require customers to submit transmission service requests in order to initiate economic planning studies.

The economic planning studies of those projects subject to the more detailed analysis include an analysis of sensitivity of the economics of the project to changes in assumptions. SPP solicits input from the stakeholders regarding the appropriate sensitivity analyses to be performed.

The generating unit modeling data required for the studies and the information sharing obligations of the generator owners is described in the economic modeling and methods documentation. This documentation also addresses the information sharing obligations of other stakeholders to provide relevant data within their possession to enable the SPP to calculate the level of congestion (or cost/benefit) that is occurring or likely to occur in the future, such as data for network representation, load forecast assumptions, and reliability/must-run conditions.

3.9 Cost Allocation

- Planning process must address the allocation of costs of new facilities.
 - This applies only to regional projects that do not fit under existing rate structures, such as regional projects involving several transmission owners or economic projects that are identified under the study process described under the economic planning studies principle.
 - The planning proposal should identify the types of new projects that are not covered under existing cost allocation rules.
- Order does not modify the existing process which requires that projects to be built by a single transmission owner would be billed under its existing rate structures.
- Commission does not propose any single allocation method.
- Each regional transmission planning process can develop its own cost allocation criteria and solution.
- Commissions three general principles are:
 - Fairly assigns costs to those who caused the problem as well as to those who will benefit from the solution.
 - Provide adequate incentives to the Transmission Providers to construct.
 - Generally supported by the states and participants across the planning region.
- Each planning process must address this principle upfront.

SPP Compliance with the Cost Allocation Principle

SPP has an existing cost allocation and rate structure, developed through a stakeholder process, for regional reliability upgrades and for upgrades required for interconnection and for transmission service. The Tariff provides for voluntary funding of economic upgrades by project sponsors.

The SPP Regional State Committee has established the Cost Allocation Working Group, with SPP and other stakeholder participation. One of its tasks is to address the allocation of costs of new facilities that do not fit under existing rate structures, such as:

- (a) Regional projects involving several transmission owners;
- (b) Economic projects that are identified under the study process described under the economic planning studies principle; and
- (c) Transmission upgrades for remote resources to be integrated on an aggregated or regional basis.

The Regional State Committee, with SPP and stakeholder participation in support of an SPP Strategic Plan initiative, is currently working on developing cost allocation alternatives for economic upgrades that meet the guidelines set forth by the Commission in Order 890. Discussions are addressing the determination of benefit to cost ratio metrics/qualification, designing a portfolio of economic upgrade projects to achieve a balance of benefits throughout the SPP Region and other issues. The schedule to develop the cost allocation proposal for economic upgrades calls for the Cost Allocation Working Group to complete defining the alternatives by July 2007 and have final determination of the cost allocation policy proposal at the October 2007 Regional State Committee meeting.

4 Additional Issues Relating to Planning Reform

4.1 Independent Third Party Coordinator

The Final Rule does not require the use of an independent third party coordinator for the transmission planning process. SPP has found that the role of its contracts services area as the ICT for Entergy Services has improved the coordination and information exchange between SPP and Entergy in regard to transmission planning. In its role as ICT, SPP provides oversight over the operations of the Entergy transmission system, produces regional planning assessments, and oversees Entergy's operation of an enhanced weekly procurement process for obtaining competitive energy supply.

4.2 State Commission Participation

The Final Order strongly encourages state participation in the transmission planning process and expects that all Transmission Providers will respect states concerns in the planning process, but did not prescribe a particular level of state participation. The state regulatory commissions and staffs have enhanced the stakeholder process by actively participating in many SPP forums, including the Transmission Working Group and planning summits, and by forming a Regional State Committee.

Under the SPP Bylaws, any regulatory agency having utility rates or services jurisdiction over a Member may participate fully in all SPP activities, including participation in the

SPP Board of Directors meetings. These representatives have the same rights as Members except the right to vote. Participation includes the designation of representatives by each of the regulatory jurisdictions to participate in any committee, working group, task force, technical conferences, summits, SPP Board of Directors meetings, etc.

The SPP Regional State Committee is a voluntary organization established in 2004 comprised of one designated commissioner from each participating state regulatory commission having jurisdiction over an SPP Member and was established to collectively provide both direction and input on all matters pertinent to the participation of the Members in SPP pursuant to the SPP Bylaws. The SPP Regional State Committee provides collective state regulatory agency input on matters of regional importance related to the development and operation of bulk electric transmission, including transmission planning. The SPP Regional State Committee is currently comprised of retail regulatory commissioners from agencies in Arkansas, Kansas, Missouri, Oklahoma and Texas.

The SPP Regional State Committee has primary responsibility for determining regional proposals and the transition process in the following areas:

- (a) Whether and to what extent participant funding will be used for transmission enhancements;
- (b) Whether license plate or postage stamp rates will be used for the regional access charge;
- (c) FTR allocation, where a locational price methodology is used; and
- (d) The transition mechanism to be used to assure that existing firm customers receive FTRs equivalent to the customers' existing firm rights.

The SPP Regional State Committee has established the Cost Allocation Working Group, with SPP and other stakeholder participation, to address the above issues as they arise. The Cost Allocation Working Group meets monthly and the Regional State Committee meets at least four times per year.

In addition, with respect to transmission planning, the Regional State Committee determines whether transmission upgrades for remote resources will be included in the regional transmission planning process and the role of Transmission Owners in proposing transmission upgrades in the regional planning process.

4.3 Recovery of Planning Costs

The Final Order requires the transmission planning processes to provide a mechanism for recovery of costs. Transmission Providers were directed to work with other participants in the planning process to develop their cost recovery proposals in order to determine

whether all relevant parties, including state agencies, have the ability to recover the costs of participating in the planning process.

SPP's costs associated with the transmission planning process and associated studies are recovered through Schedule 1-A, Tariff Administration Service, of the Tariff. SPP's costs for studies associated with requests for long-term firm transmission service and for interconnection are recovered in accordance with Attachments Z and V to the Tariff, respectively.

SPP funds the cost of the SPP Regional State Committee pursuant to an annual budget developed by the SPP Regional State Committee and submitted to SPP as part of the budgeting process. The budget is approved by the SPP Board of Directors.

4.4 Open Season for Joint Ownership

The Commission agrees that joint ownership may be useful in certain situations and encourages Transmission Providers and customers to consider the use of open seasons to realize construction of upgrades identified in planning studies. However, the Final Rule did not mandate open season procedures to allow market participants to participate in joint ownership.

The Tariff provides for SPP to facilitate the ownership determination process for an upgrade that interconnects more than one Transmission Owner's facilities or involves more than one Transmission Owner's service territories. Presently, SPP does not use open seasons to realize construction of upgrades identified in planning studies or to promote joint ownership of such upgrades. However, at the April 2007 SPP Board of Directors meeting, SPP formed a high level task force reporting to the Strategic Planning Committee to create a policy for the allocation of the rights and responsibilities associated with the ownership, construction and operation of transmission upgrades for projects which may involve numerous Transmission Owners within the SPP Region.

Also, a Transmission Owner designated to provide the new facilities can elect to arrange for another entity or another existing Transmission Owner to build and/or own the project in their place. If the Transmission Owner designated to provide the new facilities does not or cannot agree to implement the project in a timely manner, SPP can solicit and evaluate proposals to build and/or own the project from other entities and select an entity from the solicitation to build and/or own the project.

Part II - Strawman

1 General Description of the SPP Transmission Expansion Plan & Process

SPP is responsible for developing the SPP Transmission Expansion Plan using the stakeholder process described in Sections 2 through 5 of Part II. The SPP Transmission Expansion Plan consolidates the transmission needs of the SPP Region into a single plan which is assessed on the basis of maintaining the reliability of the SPP Region and takes into account economic considerations as described in Section 13 of Part II. SPP develops the SPP Transmission Expansion Plan to meet the specific service requests of its transmission customers, including upgrades identified via the Aggregate Transmission Service Study process with signed Service Agreements; and otherwise treat similarly situated customers comparably in transmission system planning.

To develop the SPP Transmission Expansion Plan, SPP performs transmission planning studies to:

- (a) Assess the reliability and economic operation of the Transmission System;
- (b) Identify Base Plan Upgrades and Zonal Reliability Upgrades; and
- (c) Identify voluntary upgrades that have potential economic benefit to the SPP Region and are not required for reliability reasons.

In concert with the process to develop the SPP Transmission Expansion Plan, SPP performs ongoing analyses of requests for long-term firm transmission service and ongoing analyses of requests for interconnection service in accordance with Attachments Z and V to the Tariff, respectively.

SPP's existing planning process complies with the nine planning principles in the Final Order as described in Part I. However, the planning process is not fully documented in the Tariff to the extent required by the Final Order. The following sections of Part II describe SPP's planning process with some new enhancements as a strawman proposal to provide guidance for including appropriate provisions in the Tariff.

2 Establishment & Role of Committees

2.1 Transmission Working Group

The Transmission Working Group is open to participation by all stakeholders. The Transmission Working Group provides technical advice and assistance to SPP in all aspects of its regional, sub-regional and local planning functions, including but not limited to:

- (a) Coordinated planning among the Transmission Owners and SPP;

- (b) Regional and local planning criteria;
- (c) Available Transfer Capability calculations; and
- (d) Flowgate ratings.

The Transmission Owners supply representatives to the Transmission Working Group to provide the data, information, and support necessary for SPP to perform studies as required and to develop the SPP Transmission Expansion Plan. Other Members and stakeholders may provide representatives to the Transmission Working Group as they deem appropriate. Transmission Working Group meetings are held quarterly and additional meetings are scheduled as needed. Minutes of the Transmission Working Group meetings are recorded and posted on the SPP website. Notice of the Transmission Working Group meetings are posted on the SPP website and distributed via the open Transmission Working Group e-mail exploder.

2.2 Planning Summits

The regional and sub-regional planning summits are open to participation by all stakeholders. This forum provides for information exchange between SPP and the stakeholders and gives stakeholders the opportunity to provide advice and recommendations to SPP to aid in the development of the SPP Transmission Expansion Plan. All stakeholders shall be invited to participate in the planning summits, including but not limited to:

- (a) All Transmission Customers and Interconnection Customers, and applicants for transmission service or interconnection service;
- (b) Neighboring transmission providers;
- (c) Affected state authorities;
- (d) All Members; and
- (e) Any other interested parties.

Regional planning summits are held semi-annually with sub-regional planning summits held as needed. Notice of the planning summits are posted on the SPP website and distributed via multiple SPP e-mail exploders, including the open Transmission Working Group e-mail exploder.

3 Participation of State Commissions & Other State Agencies

Under the SPP Bylaws, any regulatory agency having utility rates or services jurisdiction over a Member may participate fully in all SPP activities, including having

representatives on the Transmission Working Group and attending planning summits. These representatives have the same rights as Members except the right to vote.

4 Contents of the SPP Transmission Expansion Plan

The SPP Transmission Expansion Plan consolidates the transmission needs of the SPP Region into a single plan which is assessed on the basis of maintaining the reliability of the SPP Region and takes into account economic considerations as described in Section 13 of Part II.

The SPP Transmission Expansion Plan conforms to the NERC Reliability Standards and the SPP Criteria.

The SPP Transmission Expansion Plan reflects for at least the ten year planning horizon:

- (a) Transmission projects;
- (b) Load and capacity forecasts, including the impact on load of existing and planned demand resources;
- (c) Long-term firm transmission service; and
- (d) Generation additions and retirements.

The SPP Transmission Expansion Plan meets the specific service requests of its transmission customers, including upgrades identified via the Aggregate Transmission Service Study process with signed Service Agreements; and otherwise treats similarly situated customers comparably in transmission system planning.

Where demand resources are capable of providing the functions assessed in the SPP planning process, and can be relied upon on a long-term basis, such demand resources will be permitted to participate in the SPP planning process on a comparable basis to the service provided by comparable generation resources where appropriate.

The SPP Transmission Expansion Plan incorporates the results of the coordinated system plan developed under the MISO/SPP Joint Operating Agreement and the AECI/SPP Transmission Coordination Agreement.

Each SPP Transmission Expansion Plan includes a list of the following:

- (a) Upgrades required to maintain reliability in accordance with the NERC Reliability Standards and SPP Criteria;

- (b) Upgrades required to maintain reliability in accordance with more stringent individual Transmission Owner planning criteria;²
- (c) Upgrades associated with executed Service Agreements;
- (d) Upgrades that have potential economic benefit to the SPP membership for which project sponsors have committed to the projects;
- (e) Upgrades associated with filed Interconnection Agreements; and
- (f) Upgrades developed with neighboring transmission providers to meet inter-regional needs, including results from the coordinated system plans.

5 Process for Development of the SPP Transmission Expansion Plan

SPP is responsible for the development of the SPP Transmission Expansion Plan and for conducting the analysis and studies on which the SPP Transmission Expansion Plan is based. Stakeholders participate in the development of the SPP Transmission Expansion Plan through the SPP planning process described in this section. The economic planning studies, which are a part of the SPP planning process, are described in more detail in Section 13 of Part II.

5.1 Commencement of the Process

Each year, SPP initiates the stakeholder process to develop the annual SPP Transmission Expansion Plan. The stakeholder process allows the flexibility to make modifications to the SPP Transmission Expansion Plan throughout the year as needs change, new needs arise or new solutions to problems are identified. SPP provides notice of the commencement of the process to develop the annual SPP Transmission Expansion Plan via e-mail to the Transmission Working Group and the SPP Transmission Expansion Planning stakeholder distribution lists; and posting on the SPP website.

5.2 Preparation of Assessment

SPP prepares an assessment of the Transmission System on the basis of maintaining the reliability of the SPP Region and taking into account economic considerations, including congestion and integration of new resources or load on an aggregated basis. SPP discusses the assessment study scope with the Transmission Work Group and stakeholders via the planning summits and solicits input on the assessment study scope from the stakeholders.

SPP performs reliability assessments of the existing and future Transmission System and evaluations of historical congestion data. These assessments determine system limitations and/or inadequacies as well as commercial challenges and areas of

² SPP will provide oversight to assure that each Transmission Owner applies its local planning criteria comparably to all load in its service territory.

opportunity or requirement to improve the Transmission System. Based on the assessments, SPP shares the reliability needs and improvement opportunities with the stakeholders and solicits feedback on the findings from the stakeholders, including potential alternatives for improvements to the Transmission System.

5.3 Analysis of Transmission Alternatives

Incorporating the feedback from the stakeholders on the reliability and economic assessments, SPP performs the required studies to analyze the potential alternatives for improvements to the Transmission System. SPP makes a comprehensive presentation of the viable potential transmission solutions, including a discussion of SPP and stakeholder alternatives considered and reasons for choosing the particular solutions, to the stakeholders and solicits input from the stakeholders on the solutions.

For projects to enhance the competitiveness of electricity markets, SPP also performs a cost/benefit analysis to rank the projects in decreasing order based on the ratio of the estimated ten year savings to the estimated construction costs. SPP shares the cost/benefit analysis and rankings with the stakeholders and solicits input from the stakeholders regarding which projects to perform additional detailed analysis as described in Section 13 of Part II.

5.4 Development of the Recommended SPP Transmission Expansion Plan

Upon completion of the analysis and studies and stakeholder review of the results, SPP prepares a draft SPP Transmission Expansion Plan for review by the stakeholders and invites comments to be submitted to SPP. The stakeholder review includes review and endorsement by the Transmission Working Group, the Markets and Operations Policy Committee and the Regional State Committee. Considering input from the stakeholders through this review process, SPP prepares a recommended SPP Transmission Expansion Plan for review and approval by the SPP Board of Directors.

5.5 Disclosure of the SPP Transmission Expansion Plan

The SPP Transmission Expansion Plan and related studies and the criteria, assumptions and data underlying the SPP Transmission Expansion Plan are posted on the SPP website, with password protected access if required to preserve the confidentiality of information in accordance with the provisions of the Tariff and the Membership Agreement and to address CEII concerns.

The CEII compliant redacted version of the SPP Transmission Expansion Plan is posted on the SPP OASIS and website. The redacted version includes a CEII disclaimer and instructions on how to acquire the complete version of the SPP Transmission Expansion Plan. To acquire a complete version requires a signed confidentiality agreement with SPP and FERC CEII approval.

Simultaneous disclosure of planning information is accomplished by:

- (a) Providing all current and potential customers and stakeholders equal access, notice and opportunity to attend Transmission Working Group meetings and planning summits; and
- (b) Providing for the contemporaneous availability of such meeting handouts on the SPP website.

6 Approval of the SPP Transmission Expansion Plan

The annual SPP Transmission Expansion Plan, or any modifications made to the SPP Transmission Expansion Plan throughout the year, are posted on the SPP OASIS and notice of such posting is e-mailed to the stakeholders at least ten days prior to a meeting at which the SPP Board of Directors is expected to take action on the SPP Transmission Expansion Plan or such modification. Approval of the SPP Transmission Expansion Plan by the SPP Board of Directors certifies a regional plan for meeting the transmission needs of the SPP Region; and constitutes approval of cost allocation pursuant to the provisions of the Tariff.

The individual Transmission Owners are obligated under the NERC Reliability Standards and SPP Criteria to resolve reliability violations and compliance needs identified by SPP or by the individual Transmission Owners themselves in accordance with these standards and criteria.

7 Updates to the SPP Transmission Expansion Plan

The process to develop the SPP Transmission Expansion Plan allows the flexibility to make modifications to the SPP Transmission Expansion Plan throughout the year as needs change, new needs arise or new solutions to problems are identified. SPP works with the stakeholders on an on-going basis throughout the year analyzing any newly identified problems and incorporating any necessary adjustments to the SPP Transmission Expansion Plan on an out of cycle basis. Modifications made to the SPP Transmission Expansion Plan throughout the year are reviewed by the stakeholders, endorsed by the Transmission Working Group, the Markets and Operations Policy Committee and the Regional State Committee and approved by the SPP Board of Directors, in accordance with Sections 5.4 and 6 of Part II, respectively.

7.1 Removal of an Upgrade from the SPP Transmission Expansion Plan

An upgrade may be removed from an approved SPP Transmission Expansion Plan by SPP, and in doing so SPP will consult with and consider input from the stakeholders, provided that the entity responsible for construction of the upgrade is reimbursed for any costs prudently incurred or prudently committed to be incurred in connection with the planning, designing, engineering, permitting, procuring and other preparation for construction, and/or construction of the upgrade proposed for removal from the SPP Transmission Expansion Plan.

7.2 Status of Upgrades Identified in the SPP Transmission Expansion Plan

SPP formally tracks the planned system upgrades to ensure that reliability projects are built in time or acceptable mitigation plans are in place to meet customer and system needs. SPP reports to the Markets and Operations Policy Committee, the Regional State Committee and the SPP Board of Directors on the status of the upgrades identified in the SPP Transmission Expansion Plan on a quarterly basis, at a minimum. SPP also posts the status of the upgrades on the SPP website, updating information as it becomes available.

8 Obligation to Build

SPP shall not build or own transmission facilities.

For each project in the SPP Transmission Expansion Plan, the plan will designate, based on the planning analysis of SPP, input from the Transmission Owners and other stakeholders and direction from the effort described in Section 17 of Part II, one or more Transmission Owners or other entities to construct, own and/or finance the project.

Each Transmission Owner will use due diligence to construct transmission facilities in the SPP Transmission Expansion Plan subject to such siting, permitting, and environmental constraints as may be imposed by state, local and federal laws and regulations, and subject to the receipt of any necessary federal or state regulatory approvals. Such construction will be performed in accordance with Good Utility Practice, applicable SPP Criteria, industry standards, each Transmission Owner's specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements), and in accordance with all applicable requirements of federal or state regulatory authorities. Each Transmission Owner will be compensated as provided by the Commission for the costs of construction undertaken by such Transmission Owner in accordance with the Tariff.

A Transmission Owner designated to provide the new facilities can elect to arrange for another entity or another existing Transmission Owner to build and/or own the project in their place. If the Transmission Owner designated to provide the new facilities does not or cannot agree to implement the project in a timely manner, SPP can solicit and evaluate proposals to build and/or own the project from other entities and select an entity from the solicitation to build and/or own the project.

9 Coordination of the SPP Transmission Expansion Plan

The SPP Transmission Expansion Plan is developed in coordination with neighboring transmission providers and with the Transmission Owners within the SPP Region.

9.1 Inter-Regional Coordination

SPP coordinates any studies required to assure the reliable, efficient, and effective operation of the transmission system with, at a minimum, first-tier adjacent interconnected systems. Such coordination includes: (1) sharing system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data; and (2) identifying system enhancements that could relieve inter-regional congestion or integrate new resources on an aggregate basis.

SPP participates in coordinated regional transmission expansion planning in accordance with the MISO/SPP Joint Operating Agreement and the AECI/SPP Transmission Coordination Agreement. The SPP Transmission Expansion Plan is developed taking into account the processes for coordinated regional transmission expansion planning established under the both agreements. SPP intends to pursue seams agreements with other neighboring transmission providers like ERCOT, Entergy, and NPPD in order to enhance and formalize inter-regional coordination of transmission planning

SPP participates in ERAG which develops procedures, common assumptions and models for the purposes of coordinated system planning throughout the Eastern Interconnection.

9.2 Coordination with Transmission Owners

SPP is responsible for the development of the SPP Transmission Expansion Plan and for conducting the analysis and studies on which the SPP Transmission Expansion Plan is based.

Based on the reliability assessments performed by SPP as described in Section 5.2 of Part II, SPP shares the reliability needs and improvement opportunities with the stakeholders, including Transmission Owners. Transmission Owners propose mitigation plans, including operating guides and/or potential transmission upgrades to address the reliability needs.

SPP performs the required studies to analyze the potential transmission upgrades, including reliability upgrades that Transmission Owners propose to address violations of company-specific planning criteria, described in Section 11.2 of Part II; and to determine if there is a more comprehensive regional solution.

SPP will provide oversight to assure that each Transmission Owner applies its company-specific planning criteria comparably to all load in its service territory.

Pursuant to Attachment AD of the Tariff, the SPP planning process includes (1) the transmission facilities of SPA that are utilized to implement the Tariff; and (2) SPA coordinates transmission planning and construction activities with SPP.

10 Information Exchange

10.1 Supply of Data

10.1.1 Transmission Owners

Transmission Owners are responsible to provide SPP detailed power system models of their transmission systems and provide updates to their models via a web based application.

Transmission Owners are responsible to provide data regarding the design and construction of their transmission facilities.

Transmission Owners must provide their FERC Form 715 to SPP.

Transmission Owners must submit their individual planning criteria to SPP.

Transmission Owners must provide planning grade cost estimates and schedules for upgrades in the SPP Transmission Expansion Plan in a timely manner.

10.1.2 Generation Owners

Generator Owners are responsible to provide to SPP modeling data for power flow, short-circuit and stability analysis.

Generator Owners are responsible to provide to SPP modeling data for economic planning studies as described in Section 13 of Part II. SPP reviews modeling assumptions for particular generating units or generating unit types with the individual owners of the generating units on a periodic basis as part of the process for the economic planning studies. SPP requires the owners to provide updates to the generating unit modeling data via templates supplied by SPP. If generating unit modeling data changes between required updates, the owners should submit any revised data to SPP according to instructions posted on the SPP website. Also, during the interconnection process for new generating units, SPP requires the owner to provide modeling data for the new generating unit to be used in the economic planning studies. Data required to model generating units for the economic planning studies is documented in the transmission network economic modeling and methods.

10.1.3 Transmission Customers

On an annual basis,

- (a) Network customers will be required to update the information on its Network Integration Transmission Service application with a ten year forecast of summer and winter load at each delivery point and ten year projection of network resources and with any other information that has changed from the original application;
- (b) Point-to-point transmission customers will be required to provide their good faith projections on their need for service including the points of delivery and receipt over the ten year planning horizon; and

- (c) Customers with existing and planned demand resources will be required to submit information on such resources and their impacts on demand and peak demand.

If a customer's good faith projections change between the required updates, the customer should submit any revised information to SPP.

10.1.4 Stakeholders with Demand Resources

Stakeholders with demand resources must provide details concerning proposed demand response resources if they wish to have them considered in the development of the SPP Transmission Expansion Plan.

10.1.5 Neighboring Transmission Providers and Regional Transmission Organizations

SPP provides to neighboring transmission providers and Regional Transmission Organizations ("RTOs") and requests the neighboring transmission providers and RTOs provide to SPP the data required for the development of power flow cases, short-circuit cases and stability cases over the ten year planning horizon.

10.2 Confidentiality & CEII Concerns

SPP takes all reasonable efforts to preserve the confidentiality of information in accordance with the provisions of the Tariff and the Membership Agreement.

SPP uses password protected access to provide and retrieve confidential information or CEII related to the regional planning process and related modeling and project data. A confidentiality agreement must be executed on behalf of a company for an individual from the company to receive password protected access.

11 Transmission Planning Criteria

11.1 Regional Planning Criteria

The regional planning criteria are comprised of the NERC Reliability Standards and SPP Criteria. The SPP Transmission Expansion Plan conforms to NERC Reliability Standards and SPP Criteria. The SPP Criteria are posted on the SPP website

The NERC Reliability Standards and the SPP Criteria are the basis for determining whether a regional reliability violation exists for which Base Plan Upgrades are needed.

11.2 Local Planning Criteria

Individual Transmission Owners within the SPP Region may develop company-specific planning criteria that, at a minimum, conform to the NERC Reliability Standards and SPP Criteria. Transmission Owners must provide to SPP their company-specific planning criteria in order for the need for Zonal Reliability Upgrades to be assessed and included,

as appropriate, in the SPP Transmission Expansion Plan. The individual Transmission Owner planning criteria will be posted on the SPP website or links to the company-specific planning criteria will be posted on the SPP website.

The individual planning criteria of each Transmission Owner are the basis for determining whether a reliability violation exists for which a need for a new Zonal Reliability Upgrade should be considered. A Zonal Reliability Upgrade shall not be a Base Plan Upgrade. Transmission Owner planning criteria may be modified at any time provided that, if the planning criteria are made more stringent, the increased requirements shall not apply retroactively to studies previously completed or studies already underway by SPP.

SPP will provide oversight to assure that each Transmission Owner applies its local planning criteria comparably to all load in its service territory. SPP is aware of the differing local planning criteria among the Transmission Owners; and SPP recognizes its role to be a link between each Transmission Owner and the customers within its service territory in order to support transparent and comparable treatment of customers.

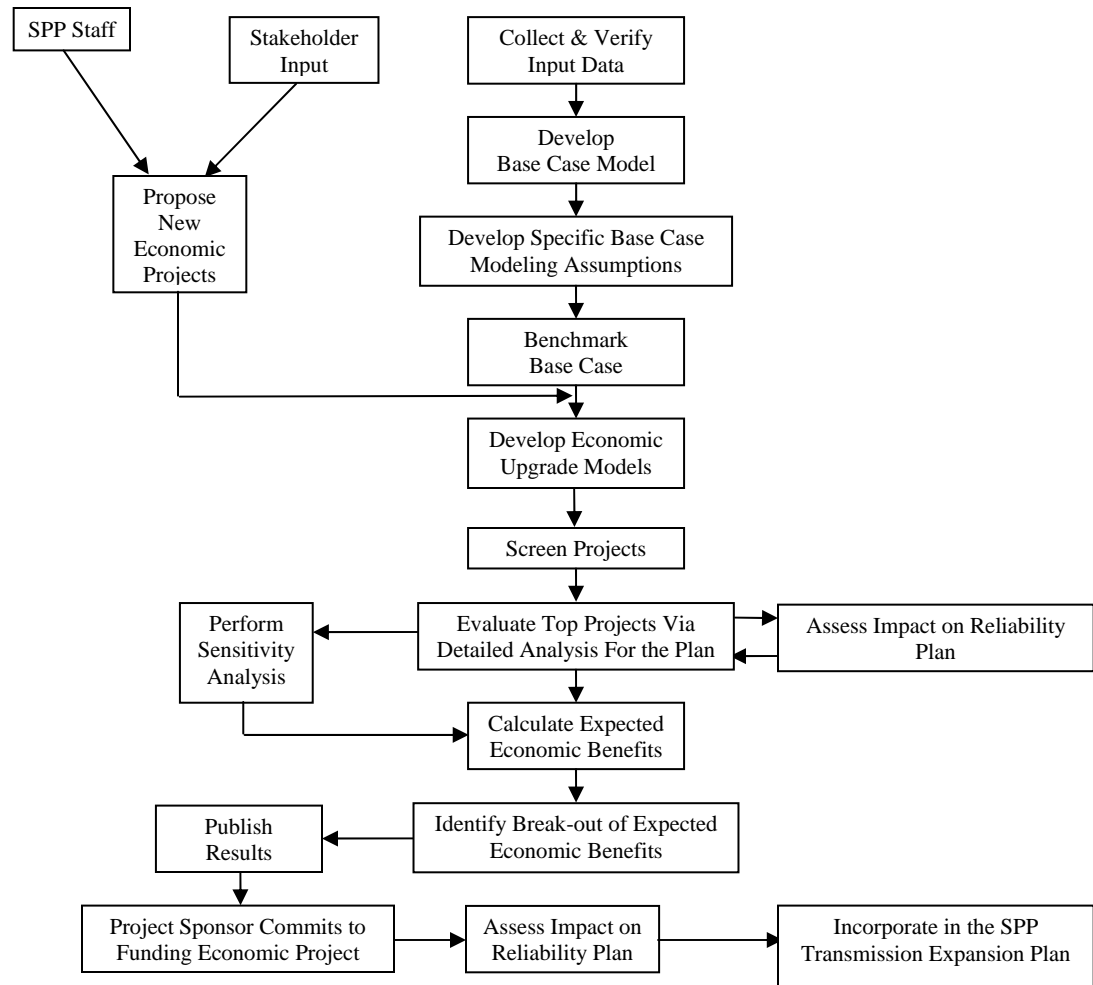
12 Dispute Resolution Process

Section 12, Dispute Resolution Procedures, of the Tariff will be modified to address how both procedural and substantive planning issues will be resolved.

13 Study Process for Economic Planning Studies

13.1 Economic Planning Studies Process Flowchart

The following diagram provides an overview of the economic planning studies process.



13.2 Economic Assessment

SPP performs an economic assessment as part of the SPP planning process described in Section 5 of Part II. The economic assessment addresses:

- (a) Congestion within the SPP Region;
- (b) Congestion between the SPP Region and other control areas; and
- (c) Integration of new resources or new or growing loads on an aggregated or regional basis.

13.3 Requests for Economic Planning Studies

Each year, when SPP initiates the process to develop the annual SPP Transmission Expansion Plan, SPP solicits from the stakeholder requests to perform economic planning studies. SPP will post requests for economic planning studies, as well as the responses to the requests, on the SPP website, subject to confidentiality requirements. Requests for

economic planning studies do not require the submission of a specific request for transmission service or for interconnection service. Specific requests for transmission service and for interconnection service continue to be studied pursuant to Attachments Z and V, as applicable, of the Tariff.

SPP performs a screening analysis of the potential economic upgrades required by the requests for economic planning studies and of any other potential economic upgrades identified by SPP. The screening analysis, described in Section 13.4 of Part II, establishes a relative priority of the potential economic upgrades. SPP reviews the results of the screening analysis with the stakeholders; and in consultation with the stakeholders, SPP determines the three to five high priority economic planning studies to be performed. SPP will post a list of all of the potential economic upgrades screened and the high priority economic planning studies to be performed on the SPP website.

The costs of the high priority economic planning studies are recovered under Schedule 1-A, Tariff Administration Service, of the Tariff. Stakeholders may request additional economic planning studies. Stakeholders requesting additional economic planning studies are responsible for paying the cost of such studies.

13.4 Screening Analysis

The purpose of the screening analysis is to identify those potential upgrades most likely to produce positive net benefits and which, therefore, will be subject to more detailed economic analysis. The potential economic projects may be screened individually or in various combinations, such as for assessing a portfolio of economic projects to achieve a balance of benefits throughout the SPP Region.

For each potential economic upgrade, SPP estimates the construction cost of the upgrade and estimates the ten year savings based on the net present worth of the total production cost savings. The potential economic upgrades are ranked in decreasing order based on the ratio of the estimated ten year savings to the estimated construction costs. In the ranking of the projects, adjustments may be made to the estimated savings to take into account construction lead times. The screening analysis establishes a relative priority of the potential economic upgrades which is an input to the process of determining the high priority economic planning studies to be performed annually, as described in Section 13.3 of Part II.

13.5 Quantification of Benefit to Cost

After performing the screening analysis, SPP evaluates the high priority projects via detailed analysis documented in the transmission network economic modeling and methods. This detailed analysis includes quantification of benefit to cost.

13.6 Sensitivity Analysis

Part of the analysis for each of the high priority projects includes an analysis of the sensitivity of the economics of the project to changes in assumptions. Examples of typical sensitivities include, but are not limited to, fuel prices, electric load growth rates,

etc. SPP solicits input from the stakeholders regarding the appropriate sensitivity analyses to be performed as part of the SPP planning process described in Section 5 of Part II.

13.7 Reporting Requirements

Results are published for the high priority projects that are evaluated using the detailed analysis. The published results include study input assumptions, estimated cost of the project and expected economic benefits. The CEII compliant redacted version of published results of the detailed analysis is posted on the SPP OASIS and website. The redacted version includes a CEII disclaimer and instructions on how to acquire the complete version of the SPP Transmission Expansion Plan. To acquire a complete version requires a signed confidentiality agreement with SPP and FERC CEII approval.

14 Cost Allocation

SPP has an existing cost allocation and rate structure, developed through a stakeholder process, for regional reliability upgrades and for upgrades required for interconnection and for transmission service. The Tariff provides for voluntary funding of economic upgrades by project sponsors.

The Regional State Committee, with SPP and stakeholder participation, is currently working on developing cost allocation alternatives for economic upgrades that meets the following guidelines set forth in the Final Rule:

- (a) Fairly assigns costs among participants, including those who cause them to be incurred and those who benefit from them;
- (b) Provides adequate incentives to construct new transmission; and
- (c) Generally supported by state authorities and participants across the region.

The schedule to develop the cost allocation proposal for economic upgrades calls for the Cost Allocation Working Group to complete defining the alternatives by July 2007 and have final determination of the cost allocation policy proposal at the October 2007 Regional State Committee meeting.

15 Participating Transmission Owners Compliance with the Planning Requirements of the Final Rule

As part of or an extension of the sub-regional planning summits or other forum to be established, the Transmission Owners will present local transmission planning issues and cost-effective alternatives for solving the problems and the stakeholders will be able to provide input and feedback. SPP will facilitate this process. Over the next few months, SPP will work with the stakeholders to establish the requirements, format and

organization of a planning summit approach or other working group forum to address local planning issues. Among other considerations, the approach will take into account SPP and stakeholder resources and the broad geographic region spanned by SPP. SPP will file a description of this portion of SPP planning process in its compliance filing.

16 Recovery of Costs Associated with Planning Process

SPP's costs associated with the transmission planning process and associated studies are recovered through Schedule 1-A, Tariff Administration Service, of the Tariff.

The costs of the high priority economic planning studies are recovered under Schedule 1-A, Tariff Administration Service, of the Tariff. Stakeholders requesting additional economic planning studies are responsible for paying the cost of such studies.

SPP's costs for studies associated with requests for long-term firm transmission service and for interconnection will continue to be recovered in accordance with Attachments Z and V of the Tariff, respectively.

In accordance with the Membership Agreement, SPP funds the cost of the SPP Regional State Committee pursuant to an annual budget developed by the SPP Regional State Committee and submitted to SPP as part of the budgeting process. The budget is approved by the SPP Board of Directors.

17 Open Season & Joint Ownership

SPP does not currently have open season procedures to allow market participants to participate in joint ownership. However, SPP wants to encourage traditional and non-traditional capital introduction into future investment in the transmission system. SPP has just commissioned a high level task force with representatives of all stakeholder groups to address future ownership of large regional transmission projects which may cross service territories of multiple Transmission Owners, as well as potential standards within SPP for these large projects. Formation of this task force which will report to the Strategic Planning Committee was approved by the SPP Board of Directors at its April 2007 meeting. This task force is slated to provide policy recommendations before the third quarter 2007 series of meetings with stakeholder groups and the SPP Board of Directors.

18 Supplemental Transmission Provider Strawman Links

SPP provides the following links to supplemental strawman for Transmission Providers within the SPP footprint: