

ORIGINAL

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July 31, 2007

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: *Southwest Power Pool, Inc.*, Docket No. ER07-~~1226-188~~
Submission of Changes to Pricing Zone Rates and Incorporation of Base
Plan Rates

Honorable Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and section 35.13 of the Federal Energy Regulatory Commission's ("Commission" or "FERC") regulations issued thereunder, 18 C.F.R. § 35.13, Southwest Power Pool, Inc. ("SPP") submits revised pages to its Open Access Transmission Tariff ("OATT" or "Tariff") intended to: (a) implement rate changes for Westar Energy, Inc. ("Westar") and Oklahoma Gas & Electric ("OG&E"), which are transmission owners and pricing zones under the SPP Tariff; and (b) incorporate Base Plan regional and zonal charges for several SPP pricing zones. SPP requests an effective date of August 1, 2007 for this filing. In support, SPP states the following:

I. Background

As a Regional Transmission Organization ("RTO"), SPP administers the provision of open access transmission service on a regional basis across the facilities of the SPP transmission owners.¹ SPP's Tariff uses zonal rates where the rates for deliveries to points of delivery ("POD") or load within the SPP region are based on the zone in which the POD or load is located.² Rates for through-and-out transactions are

¹ See *Sw. Power Pool, Inc.*, 89 FERC ¶ 61,084 (1999); *Sw. Power Pool, Inc.*, 86 FERC ¶ 61,090 (1998); *Sw. Power Pool, Inc.*, 82 FERC ¶ 61,267 (1998).

² See SPP Tariff, Schedules 7-9.

based on the zone from which the power exits the SPP transmission system.³

Westar and OG&E are public utilities incorporated in Kansas and Oklahoma, respectively, and are engaged in the generation, transmission, distribution and sale of electric energy. Westar serves approximately 650,000 customers in eastern and central Kansas, and OG&E serves more than 755,000 retail customers in Oklahoma and western Arkansas. Both utilities are transmission-owning members of SPP.

II. Description and Justification for Filing

A. Rate Change for Westar and OG&E Pricing Zones

Pursuant to Attachment L of SPP's Tariff, which provides for the distribution of transmission service revenues by SPP to multi-owner zones,⁴ Westar has exercised its right to recover the cost of transmission facilities it owns that are interconnected with OG&E's transmission system. Specifically, Westar seeks to recover the cost of the switchyard transmission facilities associated with the Spring Creek generation station ("Spring Creek"), which is located in Logan County, Oklahoma and was acquired by Westar from ONEOK Energy Services Company, L.P. in a transfer that was conditionally approved by the Commission on May 22, 2006.⁵ In order to accommodate Westar's recovery of transmission service revenues for the Spring Creek facilities, SPP revises the stated zonal revenue requirement and the stated rates for Point-to-Point Transmission Service in its Tariff for OG&E's pricing zone.

SPP thus submits herein revised sheets for Attachment H of its Tariff modifying the stated revenue requirement for OG&E's zone to accommodate Westar's recovery of revenues for the Spring Creek facilities.⁶ Specifically, SPP has revised Attachment H to specify the OG&E zonal revenue requirement, the Westar revenue requirement for the Spring Creek facilities, and a total revenue requirement for OG&E's zone including the Spring Creek facilities. The Commission has previously approved similar modifications

³ *See id.*

⁴ *See id.* at Attachment L, sections II.B.2 and II.C.

⁵ *See Westar Energy, Inc.*, 115 FERC ¶ 61,228, *order on reh'g*, 117 FERC ¶ 61,011 (2006), *order on reh'g*, 118 FERC ¶ 61,237 (2007).

⁶ A clean version of the revised Tariff sheets are included herein as Exhibit I, with redlined versions of the Tariff revisions included as Exhibit II. In addition, SPP is only submitting redlined Tariff sheets for the revisions to Attachments H and T. The other revisions proposed herein will constitute new portions of the Tariff.

to Attachment H in order to accommodate multi-owner zones.⁷ SPP has also revised Attachment H to specify that the revenue requirements for any facilities Westar owns in other pricing zones will be subtracted from the zonal revenue requirement for the Westar pricing zone. This avoids double recovery issues relating to the Spring Creek facilities. Finally, SPP submits herein revised sheets for Attachment T of its Tariff increasing OG&E's rates for Point-to-Point Transmission Service in order to include the incremental revenue requirement for the Spring Creek facilities.

SPP submits herein Exhibit III, which details the calculation of the revenue requirement for the Spring Creek facilities, as well as the recalculation of OG&E's rates for Point-to-Point Transmission Service. The revenue requirement associated with the Spring Creek facilities is the product of the facilities net plant balance and the Westar net plant carrying charge determined pursuant to the transmission formula rate specified in Westar's Tariff.⁸ In addition, OG&E's rates for Point-to-Point Transmission Service were recalculated using the average load and rate design represented by the currently effective Point-to-Point rates for OG&E's pricing zone. In other words, the revised Point-to-Point rates for OG&E were recalculated in the same manner as the Commission-accepted rates were originally calculated.

SPP notes that it is not independently supporting or justifying these particular rate changes. SPP is merely modifying its Tariff to accommodate Westar's recovery of transmission service revenues for the Spring Creek facilities

B. Implementation of Base Plan Funding

On April 22, 2005, the Commission conditionally accepted SPP's proposal to implement a regional transmission cost allocation plan with regard to new transmission upgrades.⁹ SPP's cost allocation methodology provides for regional allocation of one-third of the costs of "Base Plan" facilities of 60 kV and above through a postage-stamp rate, with the remaining two-thirds assigned locally to affected zones based on each zone's share of the incremental megawatt-mile benefits as computed under the SPP Tariff.¹⁰

⁷ See *E. Tex. Elec. Coop., Inc.*, 118 FERC ¶ 61,153 (2007) (accepting revisions to Attachment H of SPP's Tariff to incorporate the annual transmission revenue requirements proposed by the "East Texas Cooperatives").

⁸ See *Westar Energy, Inc.*, 117 FERC ¶ 61,172 (2006) (accepting settlement agreement resolving the formula rate Westar will use to determine charges for transmission service).

⁹ See *Sw. Power Pool, Inc.*, 111 FERC ¶ 61,118 ("Cost Allocation Plan Order"), *order on reh'g*, 112 FERC 61,319 (2005).

¹⁰ See Cost Allocation Plan Order at PP 31-35.

Westar has constructed and put into service five specific network upgrades that qualify for base plan funding, pursuant to the provisions of Attachment J of SPP's Tariff.¹¹ As a result, the revenue requirements associated with these specific upgrades is to be recovered under the provisions of Schedule 11 of SPP's Tariff.¹² These five upgrades are specified in Exhibit IV submitted herein, which also sets out the development of the revenue requirements associated with each cost, the allocation to region-wide and zonal components and the allocation of the zonal component to benefiting zones.¹³

In addition, certain transmission credits payable by customers to sponsors of economic upgrades pursuant to the provisions of Attachment Z of SPP's Tariff¹⁴ also qualify for base plan funding. Specifically, credits payable to Redbud Energy, LP ("Redbud") by the Oklahoma Municipal Power Authority ("OMPA") and credits payable by Westar to Kansas City Power & Light Company ("KCPL") may be base plan funded pursuant to the provisions of Attachments J and Z of SPP's Tariff. Therefore, the revenue requirements associated with these economic upgrades is also to be recovered under the provisions of Schedule 11 of SPP's Tariff. Exhibit IV specifies the reservation numbers for these specific economic upgrades, as well as the revenue requirement amounts and the region-wide and zonal allocation of the costs.

SPP has thus revised Attachment H of its Tariff to reflect the region-wide and zonal Base Plan revenue requirements provided for in Schedule 11. In addition, SPP has set out new regional and zonal Base Plan Point-to-Point Transmission Charges necessary to recover the revenue requirements associated with the base plan upgrades and the economic upgrade credits as Addendum 1 and Addendum 2 to Schedule 11. The calculation of the new regional and zonal Base Plan Point-to-Point Transmission Charges is illustrated in Exhibit V. The base plan revenue requirements allocated to the Region Wide Revenue Requirement and benefiting zones are summed to determine the revenue requirements to be reflected to the region and each zone on Tariff Attachment H. Such revenue requirements provide the basis for the development of the new Point-to-Point rates made part of Schedule 11.

¹¹ See SPP Tariff at Attachment J, section III.

¹² See *id.* at Schedule 11 (specifying how Base Plan Charges are to be recovered).

¹³ As specified in Note 1 of Exhibit IV, the revenue requirement for each upgrade was determined as the product of the net plant carrying charge of 23.9986%, specified in the Westar's formula rate, and the net plant in service shown for each upgrade. In addition, the fixed charge rates were calculated using Westar's transmission rate formula.

¹⁴ See SPP Tariff at Attachment Z, section VII.

Finally, double recovery issues are addressed. Specifically, SPP is revising Attachment H to specify that the sum of the current year's revenue requirement associated with all Base Plan Upgrades will be subtracted from the zonal revenue requirement for the Westar pricing zone. A similar modification was made to Westar's rates for Point-to-Point Transmission Service specified in Attachment T of SPP's Tariff.

III. Effective Date and Request for Waiver.

SPP requests an effective date for these changes of August 1, 2007, which is one day after filing. Pursuant to section 35.11 of the Commission's rules and regulations, 18 C.F.R. § 35.11, SPP requests a waiver of the Commission's 60-day notice requirement set forth at 18 C.F.R. § 35.3. Waiver is appropriate because SPP is here implementing its regional cost allocation Tariff sheets or simply updating revenue requirements using a fixed charge rate from an existing formula.

IV. Additional Information

A. Information Required by Section 35.13 of the Commission's Regulations, 18 C.F.R. § 35.13:¹⁵

(1) Documents Enclosed

In addition to this transmittal letter, the following items are included: (a) the revised tariff pages, as Exhibit I; (b) a redlined version of the revised pages, as Exhibit II; (c) spreadsheets detailing the calculation of the revenue requirement for the Spring Creek facilities, as well as the recalculation of OG&E's rates for Point-to-Point Transmission Service, as Exhibit III; (d) spreadsheets specifying the base plan upgrades and economic upgrade credits, as well as the revenue requirement amounts and the region-wide and zonal allocation of the costs, as Exhibit IV; (e) spreadsheets detailing the calculation of the new regional and zonal Base Plan Point-to-Point Transmission Charges, as Exhibit V; and (f) a list of the parties served, as Exhibit VI.

¹⁵ SPP requests any waivers deemed necessary to utilize the abbreviated filing procedures set forth in section 35.13(a)(2) of the Commission's regulations, 18 C.F.R. § 35.13(a)(2). Good cause exists for granting this waiver. As detailed herein, for the most part, the revenue requirements reflected herein are based on Westar's formula rates. The Commission has granted waiver in similar instances. *See Mich. Elec. Transmission Co., LLC and Midwest Indep. Transmission Sys. Operator, Inc.*, 113 FERC ¶ 61,343 (2005) (conditionally accepting filing to increase rates for RTO pricing zone where a similar waiver request was made in initial filing).

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